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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 2021**

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 2021 together with the comparative figures for the corresponding period in 2020 as follows:

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

		<b>Six months ended 30 June</b>	
		<b>2021</b>	2020
		<b>(unaudited)</b>	(unaudited)
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>	4	<b>767,907</b>	556,566
Cost of sales		<b>(614,201)</b>	(530,763)
<b>Gross profit</b>		<b>153,706</b>	25,803
Other income	5	<b>20,976</b>	10,477
Other gains and losses		<b>(384)</b>	(52)
Distribution and selling expenses		<b>(12,170)</b>	(11,012)
Administrative expenses		<b>(29,050)</b>	(23,667)
Finance costs		<b>(12,057)</b>	(15,508)
<b>Profit/(Loss) before tax</b>		<b>121,021</b>	(13,959)
Income tax (expense)/credit	6	<b>(17,085)</b>	856
<b>Profit/(Loss) for the period</b>	7	<b>103,936</b>	(13,103)
<b>Other comprehensive income for the period, net of tax</b>		<b>–</b>	–
<b>Total comprehensive income for the period</b>		<b>103,936</b>	(13,103)
<b>Profit/(Loss) and total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>102,081</b>	(10,794)
Non-controlling interests		<b>1,855</b>	(2,309)
		<b>103,936</b>	(13,103)
<b>Earnings/(Loss) per share</b>	9		
Basic		<b>RMB8.15 cents</b>	(RMB0.86 cents)
Diluted		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021 (unaudited) <i>RMB'000</i>	31 December 2020 (audited) <i>RMB'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment		884,523	911,698
Right-of-use assets		72,450	74,906
Deposits on acquisition of property, plant and equipment		103	11
Goodwill		20,617	20,617
		<b>977,693</b>	1,007,232
<b>Current assets</b>			
Inventories		298,220	182,665
Trade and other receivables	10	36,242	37,505
Bills receivable		1,837	5,570
Pledged bank deposits		76,799	90,976
Cash and bank balances		256,593	184,606
		<b>669,691</b>	501,322
<b>Current liabilities</b>			
Trade and other payables	11	215,430	213,820
Contract liabilities		53,578	16,821
Bills payable		59,706	83,000
Deferred income		264	264
Lease liabilities		3,909	16,512
Bank and other borrowings		507,782	455,899
Current tax liabilities		13,790	13,783
		<b>854,459</b>	800,099
<b>Net current liabilities</b>		<b>(184,768)</b>	(298,777)
<b>Total assets less current liabilities</b>		<b>792,925</b>	708,455

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

	<b>30 June 2021 (unaudited) RMB'000</b>	31 December 2020 (audited) RMB'000
<b>Non-current liabilities</b>		
Deferred income	6,698	6,830
Lease liabilities	344	1,046
Bank and other borrowings	49,413	35,476
Deferred tax liabilities	40,228	35,868
	<u>96,683</u>	<u>79,220</u>
<b>NET ASSETS</b>	<u><b>696,242</b></u>	<u>629,235</u>
<b>Capital and reserves</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	101,989	101,989
Reserves	594,253	529,913
	<u>696,242</u>	<u>631,902</u>
Non-controlling interests	<u>–</u>	<u>(2,667)</u>
<b>TOTAL EQUITY</b>	<u><b>696,242</b></u>	<u>629,235</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

*For the six months ended 30 June 2021*

### 1. BASIS OF PREPARATION

This unaudited condensed consolidated financial information has been prepared in accordance with International Accounting Standard 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 2020. 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 2020 and there have been no significant changes in the financial risk management policies for the six months ended 30 June 2021.

The Group continues to adopt the going concern basis in preparing its unaudited condensed consolidated financial information. At 30 June 2021, the Group’s current liabilities exceeded its current assets by approximately RMB184,768,000. The condition indicates the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore 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 RMB20,000,000 currently included in current liabilities at 30 June 2021.
  - (ii) Subsequent to the reporting date, the Group has also successfully obtained new banking facilities of approximately RMB10,000,000.
  - (iii) The Group will also continue to seek for further financing. Certain existing property, plant and equipment and right-of-use assets can be offered as security for further financing.
- (b) In the light of the COVID-19 pandemic, the Group is closely monitoring the latest developments and will continue to assess the impact of the COVID-19 pandemic, as well as any change in government policy, 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 foreseeable future. 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 INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by the IASB that are effective for its accounting year beginning on 1 January 2021. IFRSs comprise International Financial 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 2020, except for the first time adoption of new and revised IFRSs, which are mandatorily effective for the period beginning on or after 1 January 2021 as set out below:

Amendments to IFRS 16 COVID-19 Related Rent Concessions

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The adoption of these new and revised standards does not have significant impact on this unaudited condensed consolidated financial information.

## 3. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports prepared in accordance with accounting policies which conform with the generally accepted accounting principles in the People’s Republic of China (“PRC”) according to the types of goods delivered, and are regularly reviewed by the chief operating decision-maker (the “CODM”) to allocate resources to the segments and to assess their performance focuses on type of goods delivered.

The CODM which is responsible for allocating resources and assessing performance of the operating segments has been defined as the executive director of the Company.

During the six months ended 30 June 2021, 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

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**”)) and Treasure Resources Corporation Limited represent the operating and reportable segment of the sales of yarns.

The operation of 江西鑫源特種纖維有限公司 (for identification purpose, Jiangxi Xinyuan Special Fibres Company Limited (“Xinyuan”)) represents the operating and reportable segment of the sales of polyester staple fibres.

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, i.e. at current market prices.

Segment assets and liabilities are not reported or used by the CODM.

Information about reportable segment profit or loss:

	Yarns (unaudited) RMB'000	Staple Fibres (unaudited) RMB'000	Total (unaudited) RMB'000
<b>Six months ended 30 June 2021</b>			
Revenue from external customers	733,429	34,478	767,907
Intersegment revenue	–	49,423	49,423
Interest income	1,858	7	1,865
Interest expense	(10,045)	(2,000)	(12,045)
Depreciation	(33,539)	(1,626)	(35,165)
Other material non-cash item: Reversal of allowance for inventories	–	152	152
<b>Profit of reportable segments</b>	<b>107,144</b>	<b>7,402</b>	<b>114,546</b>
	Yarns (unaudited) RMB'000	Staple Fibres (unaudited) RMB'000	Total (unaudited) RMB'000
<b>Six months ended 30 June 2020</b>			
Revenue from external customers	499,373	57,193	556,566
Intersegment revenue	–	21,147	21,147
Interest income	528	5	533
Interest expense	(13,401)	(2,080)	(15,481)
Depreciation	(31,450)	(1,376)	(32,826)
Other material non-cash item: Allowance for inventories	–	(3,857)	(3,857)
<b>Loss of reportable segments</b>	<b>(3,920)</b>	<b>(10,015)</b>	<b>(13,935)</b>

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(unaudited)</b>	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>		
Total revenue of reportable segments	<b>817,330</b>	577,713
Elimination of intersegment revenue	<b>(49,423)</b>	(21,147)
	<hr/>	<hr/>
Group's revenue	<b>767,907</b>	556,566
	<hr/> <hr/>	<hr/> <hr/>
<b>Profit or loss</b>		
Total profit/(loss) of reportable segments	<b>114,546</b>	(13,935)
Elimination of intersegment losses/(gains)	<b>8</b>	(1,180)
Adjusted for income in relation to government grants	<b>7,807</b>	3,361
Unallocated amounts:		
Other income, gains and losses	<b>(150)</b>	(725)
Administrative and other expenses	<b>(1,190)</b>	(1,480)
Income tax (expense)/credit	<b>(17,085)</b>	856
	<hr/>	<hr/>
Group's profit/(loss) for the period	<b>103,936</b>	(13,103)
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#### 4. REVENUE

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

##### Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products for the six months ended 30 June 2021 is as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(unaudited)</b>	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of IFRS 15 Revenue from Contracts with Customers</b>		
Disaggregated by major products		
– Sales of yarns	<b>733,429</b>	499,373
– Sales of staple fibres	<b>34,478</b>	57,193
	<hr/>	<hr/>
	<b>767,907</b>	556,566
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## 5. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	1,866	557
Government grants	7,807	3,361
Income from scrap sales	10,765	6,045
Rental income	501	486
Others	37	28
	<u>20,976</u>	<u>10,477</u>

## 6. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
PRC Corporate Income Tax (“CIT”)		
Provision for the period	14,275	386
Over-provision in prior year	(1,550)	–
Deferred tax	<u>4,360</u>	<u>(1,242)</u>
	<u>17,085</u>	<u>(856)</u>

No provision for Hong Kong Profits Tax for the six months ended 30 June 2021 and 2020 have been made as there is no assessable profit subject to Hong Kong Profits Tax.

The tax charge in respect of the current period represents CIT in the PRC which is calculated at the prevailing tax rate on the taxable income of the subsidiaries in the PRC.

Jiangxi Jinyuan, the Company’s subsidiary, has been recognised as a state-encouraged high-new technology enterprise since 2014. As such, the CIT rate for Jiangxi Jinyuan is a reduced tax rate of 15% for the periods ended 30 June 2021 and 2020.

Huachun, the Company’s subsidiary, has been recognised as a state-encouraged high-new technology enterprise since 2019. As such, the CIT rate for Huachun is a reduced tax rate of 15% for the periods ended 30 June 2021 and 2020.

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



According to the PRC CIT law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned from year 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.

## 7. PROFIT/(LOSS) FOR THE PERIOD

The Group's profit/(loss) for the period is stated after charging/(crediting) the following:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(unaudited)</b>	(unaudited)
	<b>RMB'000</b>	<b>RMB'000</b>
Depreciation		
– Owned property, plant and equipment	<b>32,527</b>	30,190
– Right-of-use assets	<b>2,919</b>	2,947
Cost of inventories sold, including	<b>614,201</b>	530,763
– (Reversal)/Allowance for inventories	<b>(152)</b>	3,857
	<b><u>                    </u></b>	<b><u>                    </u></b>

## 8. DIVIDENDS

At a meeting held on 30 March 2021, the Board of Directors of the Company recommended a final dividend of HK2.0 cents per ordinary share for the year ended 31 December 2020 out of the share premium account. The final dividend amounted to approximately RMB20,829,000 has been recognised as a liability in the current period in which the dividend was approved by the Company's shareholders.

At a meeting held on 27 August 2021, the Board of Directors declared an interim dividend of HK1.5 cents per ordinary share. This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated financial information but will be reflected as an appropriation of retained profits for the year ending 31 December 2021.

## 9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the following:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(unaudited)</b>	(unaudited)
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Earnings/(Loss)</b>		
Earnings/(Loss) for the purpose of calculating basic earnings/(loss) per share (profit/(loss) for the period attributable to owners of the Company)	<b>102,081</b>	(10,794)
	<b><u>                    </u></b>	<b><u>                    </u></b>

<b>Six months ended 30 June</b>	
<b>2021</b>	2020
<b>(unaudited)</b>	(unaudited)
<b>'000</b>	'000

### Number of shares

Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<b>1,252,350</b>	1,252,350
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No diluted earnings/(loss) per share has been presented as there were no potential dilutive shares outstanding for the six months ended 30 June 2021 and 2020.

### 10. TRADE AND OTHER RECEIVABLES

	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>(unaudited)</b>	(audited)
	<b>RMB'000</b>	RMB'000
Trade receivables	<b>14,028</b>	10,003
Advance payments to suppliers	<b>13,384</b>	21,886
Prepayments and other receivables	<b>4,753</b>	1,380
Other tax recoverables	<b>4,077</b>	4,236
	<b>36,242</b>	37,505

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

	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>(unaudited)</b>	(audited)
	<b>RMB'000</b>	RMB'000
0 – 30 days	<b>9,204</b>	8,538
31 – 90 days	<b>3,560</b>	630
91 – 180 days	<b>476</b>	4
Over 365 days	<b>788</b>	831
	<b>14,028</b>	10,003

## 11. TRADE AND OTHER PAYABLES

	<b>30 June 2021 (unaudited) RMB'000</b>	31 December 2020 (audited) RMB'000
Trade payables	31,234	41,904
Other payables	7,546	7,387
Other tax payables	15,002	20,252
Accrued salaries and wages	15,095	18,530
Other accrued charges	120,316	124,928
Payables for acquisition of property, plant and equipment	5,408	819
Dividend payables	20,829	–
	<u>215,430</u>	<u>213,820</u>

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:

	<b>30 June 2021 (unaudited) RMB'000</b>	31 December 2020 (audited) RMB'000
0 – 30 days	26,761	27,356
31 – 90 days	2,987	10,256
91 – 180 days	625	3,432
181 – 365 days	1	–
Over 365 days	860	860
	<u>31,234</u>	<u>41,904</u>

## MARKET OVERVIEW

In the first half of 2021, there were signs of improvement in the global economy as developed countries emerged from the COVID-19 pandemic (the “**Pandemic**”). The GDP of the United States (the “**US**”) has recorded an increase of around 6.3% and 6.5% for the first and second quarters respectively. The European Union (the “**EU**”) has recorded a decrease of around 1.3% for the first quarter and an increase of around 13.2% for the second quarter. The GDP of the People’s Republic of China (the “**PRC**”) has recorded an increase of around 18.3% and 7.9% for the first and second quarters respectively.

The gradual recovery of the global economy has stimulated the demand for crude oil. The international crude oil price increased steadily from around US\$50 per barrel at the end of 2020 to around US\$75 per barrel at the end of June 2021. The upward moving crude oil price has pushed up the prices of oil-related downstream products, including raw materials for polyester yarn products. Hence, the upward price trend of raw materials contributed to the increase in the selling prices of polyester yarn products in the first half of 2021 accordingly.

The international cotton prices also benefited from the recovery of the global economy. The international prices have followed an upward trend and have been hovering between around US80 cents per pound and US90 cents per pound in the first half of 2021. The domestic cotton prices in the PRC have been trading at a similar pattern with that of international cotton. They have been fluctuating between RMB15,000 per tonne and RMB16,000 per tonne in the first half of 2021. There was no change in the PRC government policies 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.

Despite there were signs of recovery in the global economy, disparity was witnessed on the pace of recovery of different countries. Developed economies like the US and the EU were recovering quicker due to higher vaccination rate, better control over the Pandemic and supportive government policies. However, for many developing countries, vaccine storage and lagging vaccination progress have posed obstacles to their recovery. The PRC has been very successful in containing the Pandemic and enjoyed quick recovery in the second half of 2020. The momentum has continued in the first half of 2021. However, risk and uncertainties remain with the emergence of the Delta variant and other new virus strains and the commencement of unwinding of government support.

## BUSINESS REVIEW

The sales volume of yarn products of the Group increased by 23.8% from approximately 44,355 tonnes for the six months ended 30 June 2020 to approximately 54,897 tonnes for the six months ended 30 June 2021. The increase in sales volume was mainly due to the favourable market conditions caused by the economic recovery. The production volume of yarn products of the Group increased by 24.2% from approximately 49,041 tonnes for the six months ended 30 June 2020 to approximately 60,888 tonnes for the six months ended 30 June 2021. The production for the six months ended 30 June 2020 was low due to delay in the resumption of production after the Chinese New Year Holidays caused by the Pandemic. However, there was no such delay for the six months ended 30 June 2021. The revenue of the yarn products of the Group increased by 46.9% to approximately RMB733.4 million for the six months ended 30 June 2021 as compared to RMB499.4 million for the six months ended 30 June 2020. The gross profit and the profit attributable to the owners of the Company for the six months ended 30 June 2021 were approximately RMB153.7 million and approximately RMB102.1 million, respectively.

The Group's subsidiary company, Jiangxi Xinyuan Special Fibres Company Limited ("**Xinyuan**") is engaged in the manufacture and trading of polyester staple fibres ("**PSF**") which are one of the basic raw materials of the Group for the production of polyester yarns. The sales volume of PSF decreased by 5.9% from approximately 14,816 tonnes for the six months ended 30 June 2020 to approximately 13,948 tonnes for the six months ended 30 June 2021. The production volume of PSF increased by 54.3% from approximately 11,040 tonnes for the six months ended 30 June 2020 to approximately 17,036 tonnes for the six months ended 30 June 2021.

With the progress in vaccination programs, different economies started to reopen in 2021 but at different paces. The PRC government has been very successful in containing the Pandemic in the second quarter of 2020 and the economy rebounded in the second half of 2020. The growth momentum continued into 2021 and consumer confidence and retail sales have increased. On the contrary, the countries in South Asia and Southeast Asia have not been able to contain the Pandemic successfully and their manufacturing industries have been adversely affected, resulting in a portion of orders flowing into the PRC. The above factors have contributed to a booming textile market in the PRC.

As the Group is confident about the future, it announced on 13 July 2021 a plan to construct a highly automated new workshop with a capacity of 50,000 spindles (the "**New Workshop**"). The construction of the New Workshop is expected to commence in the third quarter of 2021 and expected to be completed by the third quarter of 2022. The New Workshop will achieve cost savings and increase the efficiency of producing yarn products. The Group also acquired the remaining 23% interest in Xinyuan from the minority shareholder at a consideration of RMB16.1 million in the second quarter of 2021 as the minority shareholder wanted to cease the investment. The Group considers investment in Xinyuan, which is engaged in the upstream operation of the Group, has strategic importance. The Group also believes the acquisition could streamline the shareholding and improve management efficiency.

## FINANCIAL REVIEW

### Revenue

Revenue of the Group for the six months ended 30 June 2021 was approximately RMB767.9 million, representing an increase of approximately RMB211.3 million, or 38.0%, as compared to the corresponding period last year. The analysis of the sales of the Group's products is as below:

	Six months ended 30 June 2021 RMB'000		Six months ended 30 June 2020 RMB'000	
Polyester yarns	238,864	31.1%	206,840	37.2%
Polyester-cotton and viscose-cotton blended yarns	356,278	46.3%	206,829	37.2%
Cotton yarns	496	0.1%	11,632	2.0%
Viscose and stretchable core viscose yarns	2,363	0.3%	26,026	4.7%
Grey and deep grey mélange yarns	135,111	17.6%	48,046	8.6%
Polyester staple fibres	34,478	4.5%	57,193	10.3%
Others	317	0.1%	–	–
	<u>767,907</u>	<u>100.0%</u>	<u>556,566</u>	<u>100.0%</u>

The increase in the revenue of the Group for the six months ended 30 June 2021 was mainly attributable to the increase in sales volume from approximately 44,355 tonnes for the six months ended 30 June 2020 to approximately 54,897 tonnes for the six months ended 30 June 2021. The average selling price of yarn products of the Group also increased 18.7% from approximately RMB11,259 per tonne for the six months ended 30 June 2020 to approximately RMB13,360 per tonne for the six months ended 30 June 2021.

### Gross Profit and Gross Profit Margin

Gross profit of the Group increased from approximately RMB25.8 million for the six months ended 30 June 2020 to approximately RMB153.7 million for the six months ended 30 June 2021. The gross profit margin of the Group increased from approximately 4.6% for the six months ended 30 June 2020 to approximately 20.0% for the six months ended 30 June 2021. The increase in gross profit was mainly due to the increase in sales volume and average selling prices of the yarn products. Due to the favourable market conditions driven by economic recovery and rising commodities prices, the textile market experienced a boom in the first half of 2021.

## **Other Income**

Other income of the Group increased from approximately RMB10.5 million for the six months ended 30 June 2020 to approximately RMB21.0 million for the six months ended 30 June 2021, representing an increase of approximately RMB10.5 million or 100.2%. The increase in other income was mainly due to increase in income from scrap sales and government grants.

## **Distribution and Selling Expenses**

Distribution and selling expenses of the Group increased from approximately RMB11.0 million for the six months ended 30 June 2020 to approximately RMB12.2 million for the six months ended 30 June 2021, representing an increase of approximately RMB1.2 million or 10.5%. The increase in distribution and selling expenses was mainly due to the increase in sales volume. Distribution and selling expenses as a percentage of revenue of the Group was approximately 1.6% for the six months ended 30 June 2021 (six months ended 30 June 2020: 2.0%).

## **Administrative Expenses**

Administrative expenses of the Group increased from approximately RMB23.7 million for the six months ended 30 June 2020 to approximately RMB29.1 million for the six months ended 30 June 2021, representing an increase of approximately RMB5.4 million or 22.7%. The increase in administrative expenses was mainly due to the increase in certain government taxes and levies. For the six months ended 30 June 2020, there was wavier of certain government taxes and levies as part of the Pandemic relief measures. For the six months ended 30 June 2021, there were no such relief measures. Administrative expenses as a percentage of revenue of the Group was approximately 3.8% for the six months ended 30 June 2021 (six months ended 30 June 2020: 4.3%).

## **Finance Costs**

Finance costs of the Group decreased from approximately RMB15.5 million for the six months ended 30 June 2020 to approximately RMB12.1 million for the six months ended 30 June 2021, representing a decrease of 22.3% or approximately RMB3.5 million. The decrease in the Group's finance costs was mainly due to i) decrease in interest on an entrusted loan as the Group repaid such loan in the second half of 2020 and ii) decrease in interest on bank loans because the loan prime rates in the PRC were lower in the first half of 2021 as compared with the corresponding period in 2020.

### **Income Tax (Expense)/Credit**

The Group's income tax expense for the six months ended 30 June 2021 was approximately RMB17.1 million, as compared to an income tax credit of approximately RMB0.9 million for the corresponding period in 2020. The Group's effective income tax rate for the six months ended 30 June 2021 was approximately 14.1%. The increase in effective income tax rate was mainly due to the increase in profits in the operating subsidiaries of the Group in the PRC.

### **Profit/(Loss) attributable to Owners of the Company and Net Profit/(Loss) Margin**

Profit attributable to owners of the Company for the six months ended 30 June 2021 was approximately RMB102.1 million as compared to a loss attributable to owners of the Company of approximately RMB10.8 million for the six months ended 30 June 2020. The net profit margin of the Group for the six months ended 30 June 2021 was approximately 13.3% as compared with a net loss margin of approximately 1.9% for the six months ended 30 June 2020. The increase in the Group's net profit margin was mainly due to the increase in gross profit.

### **Earnings/(Loss) per Share**

The basic earnings per share of the Company for the six months ended 30 June 2021 was approximately RMB8.15 cents as compared with approximately RMB0.86 cents basic loss per share for the six months ended 30 June 2020. The earnings per share of the Company was due to the net profit for the six months ended 30 June 2021.

### **Liquidity and Financial Resources**

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in the PRC and Hong Kong. During the six months ended 30 June 2021, the Group generated net cash inflow from operating activities. The Group had cash and bank balances of approximately RMB256.6 million (31 December 2020: RMB184.6 million), pledged bank deposits of approximately RMB76.8 million (31 December 2020: RMB91.0 million) at 30 June 2021. 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 2021, the Group's interest-bearing borrowings amounted to approximately RMB561.4 million (31 December 2020: RMB508.9 million), RMB511.7 million (91.1%) of which (31 December 2020: RMB472.4 million (92.8%)) 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 RMB674.1 million in aggregate (31 December 2020: RMB731.6 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 37.7% at 30 June 2021 (31 December 2020: 39.2%). Net current liabilities and net assets at 30 June 2021 was approximately RMB184.8 million (31 December 2020: RMB298.8 million) and RMB696.2 million (31 December 2020: RMB629.2 million), respectively.

## **Foreign Exchange Exposure**

The Group has foreign currency cash and bank balances, pledged bank deposits, other receivables, bank and other borrowings, lease liabilities and other payables, which mainly expose the Group to 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 2021 were approximately RMB16.8 million (31 December 2020: RMB6.8 million) and RMB45.6 million (31 December 2020: RMB42.8 million), respectively. The Group had not used any financial instrument for hedging purposes during the six months ended 30 June 2021.

## **Contingent Liabilities**

As at 30 June 2021, the Group did not have any contingent liabilities.

## **Employees, Remuneration and Share Option Scheme**

As at 30 June 2021, the Group had a total of 2,962 employees (31 December 2020: 3,046). 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**

The Group has acquired remaining 23% interest in Xinyuan from the minority shareholder in May 2021 at a consideration of RMB16.1 million.

As disclosed in the Company's announcement dated 6 August 2021, the Group entered into three contracts in July 2021 to procure certain production equipment at a total consideration of approximately RMB61.1 million as part of the plan to construct the New Workshop.

Save as disclosed above, during the six months ended 30 June 2021, the Group did not have any significant investments or acquisitions or disposal of subsidiaries.

## **PROSPECTS**

In the first half of 2021, with the progress in vaccination programs, different economies started to reopen in 2021 but at different paces. The PRC has been very successful in containing the Pandemic and enjoyed quick recovery in the second half of 2020. The momentum has continued in the first half of 2021. As a result, domestic consumer confidence and retail sales have increased. On the contrary, the countries in South Asia and Southeast Asia have not been able to contain the Pandemic successfully and their manufacturing industries have been adversely affected, resulting in a portion of orders flowing into the PRC.

The gradual recovery of the global economy has stimulated the demand for crude oil and other commodities. The upward moving crude oil price has pushed up the prices of oil-related downstream products, including raw materials for polyester yarn products. Hence, the upward price trend of raw materials contributed to the increase in the selling prices of polyester yarn products in the first half of 2021 accordingly. The above factors have contributed to a booming textile market in the PRC.

The emergence of the Delta variant and other new virus strains and the commencement of unwinding of government support introduce risks and uncertainties to the economic recovery. However, the PRC appears to be in a better position to navigate through the risks and uncertainties given its continuing successful containment of the Pandemic.

The Group is optimistic about the textile market and announced a plan to construct the New Workshop. The Group also acquired the remaining minority interest in Xinyuan to strengthen its interest in the upstream operation. The Group will continue to closely monitor the market conditions and take necessary measures to adjust its inventory level, production capacities, product mix and pricing strategy. The Group will continue to emphasize industrial safety and seek improvement in efficiency in the production process by means of automation. Taking into account the benefits from the enlarged product portfolio and the economies of scale, the Group believes it is well positioned to take advantage of any boom in the textile industry.

## **DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board declared an interim dividend for the six months ended 30 June 2021 of HK1.5 cents per share to the shareholders of the Company (the “**2021 Interim Dividend**”). The register of members of the Company will be closed from Thursday, 16 September 2021 to Friday, 17 September 2021 (both days inclusive). During this period, no transfer of shares will be registered. In order to qualify for the 2021 Interim Dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 15 September 2021. The 2021 Interim Dividend will be paid on or about Friday, 15 October 2021 to those shareholders on the register of members on Friday, 17 September 2021.

## **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 2021.

## **CODE OF CORPORATE GOVERNANCE PRACTICES**

Save as disclosed below, during the six months ended 30 June 2021, 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 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

In respect of code provision C.2.5 of 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 10 to the Listing Rules as the code of conduct governing the Directors’ securities transactions. The Company confirms that, having made specific enquiry of all the Directors, each of them has complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2021.

## **AUDIT COMMITTEE**

The audit committee of the Board has reviewed together with the management the accounting principles and policies adopted by the Group and reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2021.

## **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](http://www.hkexnews.hk) and on the website of the Company at [www.chinaweavingmaterials.com](http://www.chinaweavingmaterials.com). The interim report of the Company for the six months ended 30 June 2021 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, our customers for their confidence and support for our products, our shareholders for their trust and support and various government bodies for their support.

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

The PRC, 27 August 2021

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