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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 2021

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 2021 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	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**1,724,315**	1,421,077
Cost of sales		**(1,406,810)**	(1,277,914)
Gross profit		**317,505**	143,163
Other income	*5*	**40,656**	29,215
Other gains and losses		**(17,646)**	3,489
Distribution and selling expenses		**(27,082)**	(26,543)
Administrative expenses		**(57,517)**	(49,217)
Reversal of impairment loss on property, plant and equipment		**3,908**	5,158
Reversal of impairment loss on right-of-use assets		**273**	134
Profit from operations		**260,097**	105,399
Finance costs	*6*	**(24,697)**	(29,387)
Profit before tax		**235,400**	76,012
Income tax expense	*7*	**(31,001)**	(13,208)
Profit and total comprehensive income for the year	*8*	**204,399**	62,804
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**202,544**	62,750
Non-controlling interests		**1,855**	54
		204,399	62,804
Earnings per share	*10*		
– Basic		**RMB16.17 cents**	RMB5.01 cents
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**899,158**	911,698
Right-of-use assets		**48,316**	74,906
Deposits on acquisition of property, plant and equipment		**10,267**	11
Goodwill		**20,617**	20,617
Deferred tax assets		**5,412**	–
		983,770	1,007,232
Current assets			
Inventories		**314,647**	182,665
Trade and other receivables	11	**47,498**	37,505
Bills receivable		**370**	5,570
Pledged bank deposits		**60,246**	90,976
Cash and bank balances		**283,034**	184,606
		705,795	501,322
Current liabilities			
Trade and other payables	12	**215,454**	213,820
Contract liabilities		**24,763**	16,821
Bills payable		**47,319**	83,000
Deferred income		**264**	264
Lease liabilities		**2,765**	16,512
Bank and other borrowings		**501,061**	455,899
Current tax liabilities		**23,784**	13,783
		815,410	800,099
Net current liabilities		**(109,615)**	(298,777)
Total assets less current liabilities		**874,155**	708,455

	At 31 December	
	2021	2020
	RMB'000	*RMB'000*
Non-current liabilities		
Deferred income	**6,566**	6,830
Lease liabilities	**–**	1,046
Bank and other borrowings	**49,413**	35,476
Deferred tax liabilities	**36,982**	35,868
	92,961	79,220
Net assets	**781,194**	629,235
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	**101,989**	101,989
Reserves	**679,205**	529,913
	781,194	631,902
Non-controlling interests	**–**	(2,667)
Total equity	**781,194**	629,235

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**"). IFRSs comprise individual International Financial Reporting Standards ("**IFRS**"); International Accounting Standards ("**IAS**"); and Interpretations. The 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 Companies Ordinance.

A number of new or revised IFRSs 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.

As of 31 December 2021, the Group's current liabilities exceeded its current assets by approximately RMB109,615,000. 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, that it may be unable to realise its assets and discharge it liabilities in the normal course of business. The directors have reviewed the Group's cash flow projections in which the level of the demand of the Group's products and the potential implications of COVID-19 have been considered. The projection covers a period of 12 months from 31 December 2021. The directors have a reasonable expectation that, after taking into account the following plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months:

(a) The Group can successfully obtain its bankers' approval for rollover of its short term bank borrowings. Up to the date of the consolidated financial statements were authorised for issue, certain bankers have renewed or agreed to renew the Group's bank borrowings amounting to approximately RMB119,480,000 currently included in current liabilities at 31 December 2021.

(b) 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.

(c) 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 plans and measures, the directors are of the opinion that the Group should be able to operate within the level of its current banking facilities and will have sufficient working capital to meet its 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.

Notwithstanding the above, significant uncertainties exist. The current economic conditions continue to create uncertainty particularly over the level of demand for the Group's products and the availability of bank finance for the foreseeable future.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

2. ADOPTION OF NEW AND REVISED IFRSs

(a) Application of new and revised IFRSs

The Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("**IBOR reform**").

The Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform. The application of the amendments to IFRSs in the current year had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

(b) New and revised IFRSs in issue but not yet effective

The Group has not applied any new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 Property Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is 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.

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 (the "**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 year ended 31 December 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 ("**Treasure Resources**") 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.

Segment profits or losses do not include government grants, corporate income, gains and losses, unallocated administrative expenses and income tax expense.

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 *RMB'000*	Staple Fibres *RMB'000*	Total *RMB'000*
Year ended 31 December 2021			
Revenue from external customers	**1,640,903**	**83,412**	**1,724,315**
Intersegment revenue	**–**	**108,029**	**108,029**
Interest income	**4,835**	**33**	**4,868**
Interest expense	**(20,522)**	**(4,175)**	**(24,697)**
Depreciation	**(65,100)**	**(2,920)**	**(68,020)**
Other material non-cash items:			
Reversal of impairment loss on property, plant and equipment	**–**	**3,908**	**3,908**
Reversal of impairment loss on right-of-use assets	**–**	**273**	**273**
Allowance for inventories	**–**	**(1,093)**	**(1,093)**
Profit of reportable segments	**217,035**	**11,434**	**228,469**

	Yarns	Staple Fibres	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2020			
Revenue from external customers	1,297,882	123,195	1,421,077
Intersegment revenue	–	61,902	61,902
Interest income	1,067	84	1,151
Interest expense	(24,895)	(4,492)	(29,387)
Depreciation	(61,281)	(2,745)	(64,026)
Other material non-cash items:			
Reversal of impairment loss on property, plant and equipment	–	5,158	5,158
Reversal of impairment loss on right-of-use assets	–	134	134
Reversal of allowances for inventories	–	2,110	2,110
Inventories damaged by rainstorm	(495)	–	(495)
Profit of reportable segments	67,119	143	67,262

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

	2021	2020
	RMB'000	*RMB'000*
Revenue		
Total revenue of reportable segments	**1,832,344**	1,482,979
Elimination of intersegment revenue	**(108,029)**	(61,902)
Group's revenue	**1,724,315**	1,421,077
Profit or loss		
Total profit of reportable segments	**228,469**	67,262
Elimination of intersegment losses/(gains)	**421**	(228)
Adjusted for income in relation to government grants	**8,593**	10,705
Unallocated expense, net:		
Other income, gains and losses	**139**	673
Administrative and other expenses	**(2,222)**	(2,400)
Income tax expense	**(31,001)**	(13,208)
Group's profit for the year	**204,399**	62,804

Geographical information

Over 99% (2020: 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% (2020: 99%) of the Group's revenue were derived from sales of yarns and polyester staple fibres 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 sales of the Group in the years ended 31 December 2021 and 2020.

4. REVENUE

The principal activities of the Group are manufacturing and trading of yarn products and staple fibres. 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 year is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
Sales of yarns	**1,640,903**	1,297,882
Sales of staple fibres	**83,412**	123,195
	1,724,315	1,421,077

5. OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Income from scrap sales	**26,069**	16,278
Interest income	**4,869**	1,173
Government grants	**8,593**	10,705
Rental income	**808**	864
Others	**317**	195
	40,656	29,215

6. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**24,505**	26,194
Interest on entrusted loans	**–**	2,525
Interest on lease liabilities	**192**	668
	24,697	29,387

7. INCOME TAX EXPENSE

	2021	2020
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax ("**CIT**")		
Provision for the year	**36,850**	10,946
Over-provision in prior year	**(1,551)**	(403)
	35,299	10,543
Deferred tax		
Origination and reversal of temporary differences	**(4,298)**	2,665
Total	**31,001**	13,208

No provision for Hong Kong Profits Tax for the years ended 31 December 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 year 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 years ended 31 December 2021 and 2020.

Huachun, the Company's subsidiary, has been recognised as a state-encouraged high-new technology enterprise since 2019. As such, Huachun is entitled to a preferential tax rate of 15% for the years ended 31 December 2021 and 2020.

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

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

8. PROFIT FOR THE YEAR

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

		2021	2020
		RMB'000	*RMB'000*
(a)	**Employee benefit expenses (excluding directors' emoluments)**		
	Salaries, bonus and allowances	**193,093**	162,792
	Retirement benefits scheme contributions	**5,525**	4,338
		198,618	167,130
(b)	**Other items**		
	Cost of inventories sold	**1,406,810**	1,277,914
	Allowance for inventories/(Reversal of allowance for inventories) (included in cost of inventories sold)	**1,093**	(2,110)
	Inventories damaged by rainstorm (included in other losses)	**–**	495
	Depreciation on property, plant and equipment	**65,742**	58,753
	Depreciation on right-of-use assets	**2,826**	5,896

Cost of inventories sold includes employee benefits expense, depreciation on property, plant and equipment and depreciation on right-of-use assets of approximately RMB182,847,000 (2020: RMB153,908,000), RMB56,763,000 (2020: RMB54,548,000) and RMB1,279,000 (2020: RMB4,276,000) respectively, which are included in the amounts disclosed separately above.

9. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
2020 Final dividend of HK2.0 cents per ordinary share out of share premium account	**20,829**	–
2021 interim dividend of HK1.5 cents per ordinary share	**15,511**	–
	36,340	–

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2021 of HK5.0 cents per ordinary share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming general meeting.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to the owners of the Company and the weighted average number of ordinary shares of 1,252,350,000 (2020: 1,252,350,000) in issue during the year:

	2021	2020
Earnings	***RMB'000***	*RMB'000*
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**202,544**	62,750

	2021	2020
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,252,350**	1,252,350

No diluted earnings per share has been presented as there were no potential dilutive shares outstanding for the years ended 31 December 2021 and 2020.

11. TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**12,862**	10,003
Advance payments to suppliers	**29,428**	21,886
Prepayments and other receivables	**2,283**	1,380
Other tax recoverables	**2,925**	4,236
	47,498	37,505

In general, the Group receives advance or bills from the customers before the products are delivered. The Group allows some of the long-term and loyal customers to have credit terms of 30 – 90 days depending on creditability of the customers.

Before accepting any new customer, the Group has assessed the potential customer's credit quality. The Group reviews the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable.

No interest is charged on overdue trade receivables. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

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

	2021	2020
	RMB'000	*RMB'000*
0 – 30 days	**9,866**	8,538
31 – 90 days	**2,033**	630
91 – 180 days	**160**	4
181 – 365 days	**220**	–
Over 365 days	**583**	831
	12,862	10,003

12. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**22,436**	41,904
Other payables	**6,808**	7,387
Other tax payables	**28,224**	20,252
Accrued salaries and wages	**19,774**	18,530
Other accrued charges	**135,003**	124,928
Payables for acquisition of property, plant and equipment	**3,209**	819
	215,454	213,820

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:

	2021	2020
	RMB'000	*RMB'000*
0 – 30 days	**14,950**	27,356
31 – 90 days	**80**	10,256
91 – 180 days	**6,149**	3,432
Over 365 days	**1,257**	860
	22,436	41,904

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.

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 2021:

"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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which indicates that the Group's current liabilities exceeded its current assets by approximately RMB109,615,000 as at 31 December 2021. As stated in Note 2, this event or condition indicates 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 2021, there were signs of improvement in the global economy as developed countries emerged from the Covid-19 pandemic (the "**Pandemic**"). As the Covid -19 vaccines were rolled out globally, economic recovery throughout the world continued during 2021. However, there was divergence in the development trends of different economies due to the impact of different and changing policies in the prevention and control of the Pandemic. The GDP of the United States (the "**US**") has recorded an increase of around 5.7% for 2021 after suffering from a contraction of 3.5% in 2020. The European Union (the "**EU**") has also recorded an increase of around 5.3% for 2021 after suffering a contraction of 6.2% in 2020. After a strong recovery in the first half of 2021, the growth of the People's Republic of China (the "**PRC**") slowed down in the second half of 2021. The GDP of the PRC has recorded an increase of around 8.1% for 2021, the highest rate for a major global economy.

The gradual recovery of the global economy has stimulated a rapid recovery in the demand in the international crude oil market. The international crude oil price continued to fluctuate upward; it has risen from around US$50 per barrel at the end of 2020 to around US$75 per barrel at the end of 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 2021 accordingly.

The international cotton prices also benefited from the recovery of global economy. International prices of cotton have followed an upward trend and have risen from round US80 cents per pound at the end of 2020 to around US110 cents per pound at the end of 2021. Domestic cotton prices in the PRC have been trading at prices showing a similar pattern with that of international cotton. They have risen from around RMB14,500 per tonne at the end of 2020 to over RMB21,000 per tonne at the end of 2021. There was no change in the PRC government policies in relation to collection of cotton reserve, direct subsidiary to cotton farmers and the orderly auction of the cotton reserve in 2021. However, in December 2021, the PRC government temporarily suspended the auction of cotton reserve in response to the market situations. During 2021, the domestic cotton prices in the PRC have not been affected by the continuing policies.

The roll-out of vaccines around the world and a robust global economic recovery mean a better opening for 2022 than we have expected a year ago. Clearly there are still significant challenges ahead, foremost among which is the uncertainty caused by the spread of the Omicron variant, and potentially other variants in the future. More recently, the Russia invasion of Ukraine ("**Russia Ukraine Conflict**") has introduced a major uncertainty in the recovery of the global economy. Both the US and the EU have been experiencing high inflation due to supply chain bottlenecks, high energy and food prices, surging consumer demand and higher wages. The Russia Ukraine Conflict has exacerbated inflation by further pushing up the energy and food prices. Despite the global economy is facing a lot of uncertainties, developed economies such as the US and EU are lifting their quarantine restrictions, and daily lives in these economies have begun to return to normal. The Regional Comprehensive Economic Partnership ("**RCEP**") agreement has come into force in January 2022 and is expected to further boost the trades within the Asia Pacific region.

The PRC has been very successful in containing the Pandemic and enjoyed quick recovery in the second half of 2020, the momentum of which has continued into 2021 though its pace slowed down in the second half of 2021. The PRC government has announced a target growth rate of around 5.5% for 2022 and it is expected the PRC government will continue to release different policy measures to support the domestic economy.

BUSINESS REVIEW

The sales volume of yarn products of China Weaving Materials Holdings Limited (the "**Company**") together with its subsidiaries (the "**Group**") increased by 3.1% from approximately 116,242 tonnes for the year ended 31 December 2020 to approximately 119,901 tonnes for the year ended 31 December 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 9.6% from approximately 114,032 tonnes for the year ended 31 December 2020 to approximately 124,996 tonnes for the year ended 31 December 2021. The production for the year ended 31 December 2020 was low due to delay in the resumption of production after the Chinese New Year Holidays as a result of the public health emergency and travel restriction measures under the Pandemic. However, there was no such delay for the year ended 31 December 2021. The revenue of the yarn products of the Group increased by 26.4% to approximately RMB1,640.9 million for the year ended 31 December 2021 as compared to RMB1,297.9 million for the year ended 31 December 2020. The gross profit and the profit attributable to the owners of the Company for the year ended 31 December 2021 were approximately RMB317.5 million and approximately RMB202.5 million, respectively. In response to the change in market conditions, the Group has adjusted its product mix and shifted its emphasis to mass market products which were generally geared to downstream customers engaged in the PRC domestic market.

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 11.8% from approximately 35,534 tonnes (including 12,071 tonnes intersegment sales) for the year ended 31 December 2020 to approximately 31,324 tonnes (including 17,867 tonnes intersegment sales) for the year ended 31 December 2021. The production volume of PSF increased by 20.1% from approximately 28,413 tonnes for the year ended 31 December 2020 to approximately 34,117 tonnes for the year ended 31 December 2021.

With the progress in vaccination programs, different economies started to reopen in the 2021 but at different paces. The PRC government has been very successful in containing the Pandemic in the second quarter of 2020, the economy rebounded in the second half of 2020. The growth momentum continued into 2021 and consumer confident and retailed 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 flowed 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 workshop with a capacity of 50,000 spindles ("the **New Workshop**"). The construction of the New Workshop has commenced in the third quarter of 2021 and the structural constructions of the New Workshop have been substantially completed as at the date of this announcement. Installation of production facilities is expected to commence in the second quarter of 2022 and be completed by the end of the second quarter of 2022. Trial production of the new production line is expected to commence in the third quarter of 2022. The new production line will be highly automated and it will achieve substantial savings in labour cost for, and increase the efficiency of, the Group.

As disclosed in the Company's announcement dated 6 August 2021, the Group entered into three significant contracts for purchase of production equipment at a total consideration of RMB61.1 million as part of the plan to construct the New Workshop. The purchase is still in progress up to the date of this announcement.

The Group also acquired the remaining 23% equity interests in Xinyuan from a non-controlling shareholder at a consideration approximately of RMB16.1 million in the second quarter of 2021. The Group considers its investment in Xinyuan which engaged in the upstream operation of the Group has strategic importance. The Directors also believe the acquisition will streamline the shareholding and improve the management efficiency.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the year ended 31 December 2021 was approximately RMB1,724.3 million, representing an increase of approximately RMB303.2 million, or 21.3%, as compared to the corresponding period last year. The analysis of the sales of the Group's products is as below:

	Year ended 31 December 2021 *RMB'000*		Year ended 31 December 2020 *RMB'000*	
Polyester yarns	**485,695**	**28.2%**	474,458	33.4%
Polyester-cotton and viscose-cotton blended yarns	**781,297**	**45.3%**	579,116	40.8%
Grey and deep grey mélange yarns and grey mélange-cotton blended yarns	**361,689**	**21.0%**	174,299	12.3%
Viscose and stretchable core viscose yarns	**9,794**	**0.6%**	48,615	3.4%
Cotton yarns	**774**	**0.0%**	21,179	1.4%
Polyester staple fibres	**83,412**	**4.8%**	123,195	8.7%
Others	**1,654**	**0.1%**	215	0.0%
	1,724,315	**100.0%**	1,421,077	100.0%

The increase in the revenue of the Group for the year ended 31 December 2021 was mainly attributable to the increase in the average selling prices of the yarns products. The average selling price of yarn products of the Group increased 22.6% from approximately RMB11,165 per ton for the year ended 31 December 2020 to approximately RMB13,685 per ton for the year ended 31 December 2021. The increase in the average selling prices was mainly due to i) the favourable market conditions caused by the economic recovery and ii) the upward positive correlation between the selling prices of yarn products and prices of raw materials. The sales volume also increased by 3.1% from approximately 116,242 tonnes for the year ended 31 December 2020 to approximately 119,901 tonnes for the year ended 31 December 2021.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased from approximately RMB143.2 million for the year ended 31 December 2020 to approximately RMB317.5 million for the year ended 31 December 2021. The gross profit margin of the Group increased from approximately 10.1% for the year ended 31 December 2020 to approximately 18.4% for the year ended 31 December 2021. The increase in gross profit was mainly due to the increase in the 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 2021. The improvement in the product mix of the Group also contributed to the increase in the gross margin. In response to the increased market demand for grey and deep grey mélange yarns, the Group has increased the sales and production of such yarn products which delivered a higher margin than the other yarn products.

Other Income

Other income of the Group increased from approximately RMB29.2 million for the year ended 31 December 2020 to approximately RMB40.7 million for the year ended 31 December 2021, representing an increase of approximately RMB11.5 million or 39.4%. The increase in other income was mainly due to increase in income from scrap sales.

Other Gains and Losses

Other losses of the Group were approximately RMB17.6 million for the year ended 31 December 2021 as compared to other gains of approximately RMB3.5 million for the year ended 31 December 2020. Other losses were mainly due to the loss on disposal of plant and equipment.

Distribution and Selling Expenses

Distribution and selling expenses of the Group increased from approximately RMB26.5 million for the year ended 31 December 2020 to approximately RMB27.1 million for the year ended 31 December 2021, representing an increase of approximately RMB0.6 million or 2.3%. 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 year ended 31 December 2021 (year ended 31 December 2020: 1.9%).

Administrative Expenses

Administrative expenses of the Group increased from approximately RMB49.2 million for the year ended 31 December 2020 to approximately RMB57.5 million for the year ended 31 December 2021, representing an increase of approximately RMB8.3 million or 16.9%. The increase in administrative expenses was mainly due to the payment of disabled persons' employment security fund of approximately RMB3.7 million and the increase in certain government taxes and levies. For the year ended 31 December 2020, there was wavier of certain government taxes and levies as part of the Pandemic relief measures. For the year ended 31 December 2021, there were no such relief measures. Administrative expenses as a percentage of revenue of the Group was approximately 3.3% for the year ended 31 December 2021 (year ended 31 December 2020: 3.5%).

Finance Costs

Finance costs of the Group decreased from approximately RMB29.4 million for the year ended 31 December 2020 to approximately RMB24.7 million for the year ended 31 December 2021, representing an decrease of approximately RMB4.7 million or 16.0%. The decrease in the Group's finance costs was mainly due to i) decrease in interest on the 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

The Group's income tax increased from approximately RMB13.2 million for the year ended 31 December 2020 to approximately RMB31.0 million for the year ended 31 December 2021, representing an increase of 134.8% or approximately RMB17.8 million. The Group's effective income tax rate for the year ended 31 December 2021 was approximately 13.2%. (year ended 31 December 2020: 17.4%). The increase in income tax expense was mainly due to the increase in profits in the operating subsidiaries of the Group in the PRC.

Profit attributable to Owners of the Company and Net Profit Margin

Profit attributable to owners of the Company increased from approximately RMB62.8 million for the year ended 31 December 2020 to approximately RMB202.5 million for the year ended 31 December 2021, representing an increase of 222.5% or approximately RMB139.7 million. The net profit margin of the Group for the year ended 31 December 2021 was approximately 11.7% as compared with approximately 4.4% for the year ended 31 December 2020. The increase in the Group's net profit margin was mainly due to the increase in gross profit.

Earnings per Share

The basic earnings per share of the Company for the year ended 31 December 2021 was approximately RMB16.17 cents as compared with approximately RMB5.01 cents per share for the year ended 31 December 2020. The increase in earnings per share of the Company was due to the increase in net profit for the year ended 31 December 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 year ended 31 December 2021, the Group generated net cash inflow from operating activities. The Group had cash and bank balances of approximately RMB283.0 million (31 December 2020: RMB184.6 million), pledged bank deposits of approximately RMB60.2 million (31 December 2020: RMB91.0 million) at 31 December 2021. The Group's cash and bank balances were mainly held in Renminbi ("**RMB**").

Capital Structure and Pledge of Assets

The Group's interest-bearing borrowings were mainly made in RMB and Hong Kong dollars ("**HK$**"). At 31 December 2021, the Group's interest-bearing borrowings amounted to approximately RMB553.2 million (31 December 2020: RMB508.9 million), RMB503.8 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 RMB511.2 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 35.5% at 31 December 2021 (31 December 2020: 39.2%). Net current liabilities and net assets at 31 December 2021 was approximately RMB109.6 million (31 December 2020: RMB298.8 million) and RMB781.2 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 risk in HK$ and United States dollars. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2021 were approximately RMB2.4 million (31 December 2020: RMB6.8 million) and RMB20.4 million (31 December 2020: RMB42.8 million), respectively. The Group had not used any financial instrument for hedging purposes during the year ended 31 December 2021.

Contingent Liabilities

As at 31 December 2021, the Group did not have any significant contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 31 December 2021, the Group had a total of 2,925 employees (31 December 2020: 3,046). Remuneration for employees, including the directors of the Company (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 acquired the remaining 23% equity interests in Xinyuan from a non-controlling shareholder in May 2021 at a consideration of approximately RMB16.1 million.

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

Save as disclosed above, during the year ended 31 December 2021, the Group did not have any significant investments or acquisitions or sales of subsidiaries.

PROSPECTS

In 2021, with the progress in vaccination programs, economic recovery throughout the world continued. 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 growth momentum in the PRC has continued in 2021 though its pace slowed down in the second half of 2021. 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. In the meantime, global consumer demand has picked up as different economies reopened during 2021 and the demand for anti-Pandemic supplies has persisted. As a result, a portion of manufacturing orders flowed into the PRC.

The GDP of the PRC has recorded an increase of around 8.1% for 2021 of which consumer consumption has contributed round 65%. The prosperity of domestic consumption has benefited the apparel and textile industries. The PRC government has announced a target growth rate of around 5.5% for 2022 and it is expected that domestic consumption will continue to make a significant contribution to this target. The PRC government has repeatedly emphasized the importance of internal economic circulation and it is expected it will provide favourable policy measures to promote domestic consumption. With the coming into force of the RCEP agreement in January 2022, it is expected intra-regional trade activities will be further enhanced.

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 2021 accordingly. The above factors have contributed to a booming textile market in the PRC. It seems likely such trends will continue into 2022 and contribute to a favourable market for the textile industry.

The emergence of the Omicron and other new virus variants, the recent Russia Ukraine Conflict and high inflation resulting from high energy and food prices introduce risks and uncertainties to global economic recovery. However, the recovery of the global economy still appears to be robust and 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 interests 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.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company (the "**Annual General Meeting**") will be held on Wednesday, 29 June 2022. 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 has recommended the payment of a dividend of HK5.0 cents per share of the Company in respect of the year ended 31 December 2021 to the Shareholders (the "**Final Dividend**"). Subject to Shareholders' approval of the proposed Final Dividend at the Annual General Meeting to be held on Wednesday, 29 June 2022, the Final Dividend will be paid on or around Monday, 25 July 2022, to Shareholders whose names appear on the register of members of the Company on Friday, 8 July 2022.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders entitled to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday, 24 June 2022 to Wednesday, 29 June 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 23 June 2022.

For the purpose of determining the Shareholders who are entitled to the proposed Final Dividend, which is subject to the approval of the Shareholders at the Annual General Meeting, the register of members of the Company will be closed from Thursday, 7 July 2022 to Friday, 8 July 2022 (both days inclusive). During this period, no transfer of shares will be registered. In order to qualify for the Final 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 for registration no later than 4:30 p.m. on Wednesday, 6 July 2022.

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 2021.

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, during the year ended 31 December 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 Listing Rules.

In respect of code provision D.2.5 of the CG Code, the Company has not set up an Internal Audit ("**IA**") function. The Company has 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 organisational 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 year ended 31 December 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 audited consolidated financial statements for the year ended 31 December 2021.

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 2021 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 2021 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 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, 29 March, 2022

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.