



CHINA WEAVING MATERIALS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3778

2024
INTERIM
REPORT



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Corporate Information

BOARD OF DIRECTORS (THE "BOARD")

Executive Director

Mr. Zheng Yongxiang

Non-Executive Director

Mr. Zheng Hong (*Chairman*)

Independent Non-Executive Directors

Mr. Wong Tak Shing

Mr. Xu Yiliang

Mr. Li Guoxing

BOARD COMMITTEES

Audit committee

Mr. Wong Tak Shing (*Chairman*)

Mr. Xu Yiliang

Mr. Li Guoxing

Remuneration committee

Mr. Xu Yiliang (*Chairman*)

Mr. Wong Tak Shing

Mr. Zheng Hong

Mr. Li Guoxing

Nomination committee

Mr. Zheng Hong (*Chairman*)

Mr. Wong Tak Shing

Mr. Xu Yiliang

Mr. Li Guoxing

COMPANY SECRETARY

Mr. Cheung Chi Fai Frank

AUTHORISED REPRESENTATIVES

Mr. Zheng Hong

Mr. Cheung Chi Fai Frank

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

MANUFACTURING BASE IN THE PEOPLE'S REPUBLIC OF CHINA

Fengtian Development Zone
Fengxin County
Jiangxi Province, PRC

Corporate Information

LEGAL ADVISERS

As to Hong Kong law:

Morgan, Lewis and Bockius

As to PRC law:

Jiangxi Kangtuo Law Offices

AUDITOR

RSM Hong Kong
Certified Public Accountants
Registered Public Interest Entity Auditor

CAYMAN ISLANDS PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTER AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
(Fengxin Sub-branch)
Bank of China
(Fengxin Sub-branch)
Bank of Communications Limited
(Nanchang Donghu Sub-branch)
Bank of Ganzhou
Bank of Jiujiang
China Construction Bank Corporation
(Fengxin Sub-branch)
China Everbright Bank Co. Ltd.
(Fuzhou Nanmen Sub-branch)
China Merchant Bank
(Nanchang Branch)
Fengxin Rural Commercial Bank
Industrial and Commercial Bank of China Limited
(Fengxin Sub-branch)
Industrial Bank Co. Ltd.
(Nanchang Branch)
Shanghai Pudong Development Bank Co. Ltd.
(Nanchang Branch)

COMPANY WEBSITE

www.chinaweavingmaterials.com

STOCK CODE

3778

Management Discussion and Analysis

MARKET OVERVIEW

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

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

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

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

Management Discussion and Analysis

BUSINESS REVIEW

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

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

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

In the first half of 2024, the domestic sales of the PRC’s textile industry improved slightly. However, the export market of textile products remains very difficult under the current global economic conditions. In response to the market conditions, the Group has been closely monitoring the market and adjusted its product portfolio and production arrangements. The Group also increased its marketing effort by engaging more interactions with its customers. The Group also adopted an aggressive pricing strategy in order to achieve sufficient sales volume to maintain the economy of scale.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

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

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

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

Gross Profit and Gross Profit Margin

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

Other Income

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

Management Discussion and Analysis

Other Losses

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

Distribution and Selling Expenses

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

Administrative Expenses

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

Finance Costs

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

Income Tax Credit

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

Loss attributable to Owners of the Company and Net Loss Margin

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

Loss per Share

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

Management Discussion and Analysis

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in the PRC. During the six months ended 30 June 2024, the Group had a net cash outflow from operating activities. The Group had cash and bank balances of approximately RMB179.1 million (31 December 2023: RMB190.1 million), pledged bank deposits of approximately RMB35.7 million (31 December 2023: RMB64.7 million) at 30 June 2024. The Group's cash and bank balances were mainly held in RMB.

Capital Structure and Pledge of Assets

The Group's interest-bearing borrowings were mainly made in RMB. At 30 June 2024, the Group's interest-bearing borrowings amounted to approximately RMB465.0 million (31 December 2023: RMB476.2 million), RMB383.1 million (82.4%) of which (31 December 2023: RMB406.1 million (85.3%)) was repayable within one year or on demand. The Group's banking facilities were secured by its right-of-use assets, properties, plant and equipment and pledged bank deposits with a carrying value of approximately RMB421.0 million in aggregate as at 30 June 2024 (31 December 2023: RMB459.3 million).

Gearing Ratio

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

Foreign Exchange Exposure

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

Contingent Liabilities

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

Employees, Remuneration and Share Option Scheme

As at 30 June 2024, the Group had a total of 2,451 employees (31 December 2023: 2,422). Remuneration for employees, including the Directors, is determined in accordance with performance, professional experiences and the prevailing market practices. The Group's management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, discretionary bonus will also be granted to certain employees as awards in accordance with individual performance. The Company had adopted a share option scheme on 25 June 2021, under which the Company may grant options to eligible persons including Directors and employees. No share option has been granted pursuant to the scheme since its adoption.

Significant Investments and Material Acquisitions and Disposal of Subsidiaries

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

Management Discussion and Analysis

PROSPECTS

During the six months ended 30 June 2024, the textile industry faced a lot of challenges. The Russia Ukraine Conflict and Gaza Conflict were still on-going, major developed economies continue to suffer from high inflation, successive interest rates hikes led to a sharp rise in interest rates. The above factors have suppressed global demand and consumption. Other unfavourable factors such as complicated international trade environment, restructuring of global supply chain and high domestic production cost have contributed to the weakness in the export market for the textile products of the PRC. The PRC government has implemented various policies to stimulate the economy. The domestic sales of the PRC's textile industry showed some sign of recovery. However, the growth momentum has not been robust and there is a lack of optimism in the market.

Looking forward to the second half of 2024, with the implementation of stimulating policies by the PRC government, it is expected that the PRC economy will maintain its resilience and continue to grow. However, the export market will remain weak under the current macro environment and the domestic market is likely to remain uncertain due to insufficient consumer confidence.

The Group considers the future of the textile market is challenging. The Group will continue to closely monitor the market conditions and take necessary measures to adjust its inventory level, production capacities, product mix and pricing strategy. The Group will continue to emphasize industrial safety and seek improvement in efficiency in the production process by means of automation. Taking into account the benefits from the increased level of automation and the economies of scale, the Group believes it is well positioned to take advantage of any turnaround in the textile industry.

Corporate Governance and Other Information

DIVIDENDS

The Board of Directors of the Company resolved not to declare the payment of an interim dividend in respect of the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2024, the interest or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the provisions of Divisions 7 and 8 of Part XV of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are set out below:

Name of Director	Nature of Interest	Position	Number of Shares	Approximate percentage of shareholding in the Company ⁽²⁾
Mr. Zheng Hong	Interest of a controlled corporation	Long Position	514,305,000 ⁽¹⁾	41.07%
Mr. Zheng Yongxiang	Beneficial owner	Long Position	192,117,200	15.34%

Note: 1. These Shares are held by Popular Trend Holdings Limited ("Popular Trend"), the entire issued share capital of which is owned by Mr. Zheng Hong.

2. Based on 1,252,350,000 shares of the Company in issue as at 30 June 2024.

Save as disclosed above, as at 30 June 2024, none of the Directors (including their spouse and children under 18 years of age) had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

SHARE OPTION SCHEME

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

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

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

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

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

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

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

Corporate Governance and Other Information

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

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

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

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

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

No option has been granted under the Scheme since its adoption until the date of this report.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURE

Save as disclosed in the section headed "Share Option Scheme" above, at no time during the six months ended 30 June 2024 were rights to acquire benefits by means of the acquisition of share in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2024, so far as is known to any Director or chief executive of the Company, the persons or corporations (other than a Director or chief executive of the Company) who had interest or short positions in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept under Section 336 of the SFO were as follows:

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

Note: 1. Popular Trend is wholly-owned by Mr. Zheng Hong.

2. Based on 1,252,350,000 shares of the Company in issue as at 30 June 2024.

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, during the six months ended 30 June 2024, the Company had complied with the code provisions of the existing Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules.

In respect of code provision D.2.5 of Part 2 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 as the code of conduct governing the Directors’ securities transactions. The Company confirms that, having made specific enquiry of all the Directors, each of them has complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2024.

AUDIT COMMITTEE

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
Revenue	6	577,898	455,663
Cost of sales		(552,811)	(446,683)
Gross profit		25,087	8,980
Other income	7	12,896	16,662
Other gains and losses	8	(1,321)	(502)
Distribution and selling expenses		(9,411)	(10,433)
Administrative expenses		(21,059)	(25,384)
Finance costs	9	(10,236)	(11,027)
Loss before tax		(4,044)	(21,704)
Income tax credit	10	996	12,087
Loss and total comprehensive expense for the period	11	(3,048)	(9,617)
Loss per share	13		
Basic		(RMB0.24) cents	(RMB0.77) cents
Diluted		N/A	N/A

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	Note	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000
Non-current assets			
Property, plant and equipment	14	887,007	924,955
Right-of-use assets	15	40,286	41,101
Deposits on acquisition of property, plant and equipment		353	590
Goodwill		20,617	20,617
		948,263	987,263
Current assets			
Inventories	16	276,889	224,222
Trade and other receivables	17	39,150	31,340
Bills receivable	18	3,180	2,500
Pledged bank deposits		35,698	64,654
Cash and bank balances		179,093	190,068
		534,010	512,784
Current liabilities			
Trade and other payables	19	231,304	219,944
Contract liabilities		26,709	10,991
Bills payable	20	45,698	74,754
Deferred income		264	264
Bank and other borrowings	21	383,093	406,092
		687,068	712,045
		(153,058)	(199,261)
Net current liabilities			
Total assets less current liabilities		795,205	788,002

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	Note	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000
Non-current liabilities			
Deferred income		5,906	6,038
Bank and other borrowings	21	81,950	70,071
Deferred tax liabilities		21,864	23,360
		109,720	99,469
NET ASSETS			
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	22	101,989	101,989
Reserves		583,496	586,544
TOTAL EQUITY			
		685,485	688,533

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Unaudited Attributable to owners of the Company					
	Share capital RMB'000	Share premium RMB'000	PRC	Special reserve RMB'000	Retained profits RMB'000	Total RMB'000
			Statutory reserves RMB'000			
At 1 January 2023	101,989	53,074	176,265	148,739	234,989	715,056
Loss and total comprehensive expense for the period	–	–	–	–	(9,617)	(9,617)
At 30 June 2023	101,989	53,074	176,265	148,739	225,372	705,439
At 1 January 2024	101,989	53,074	176,265	148,739	208,466	688,533
Loss and total comprehensive expense for the period	–	–	–	–	(3,048)	(3,048)
At 30 June 2024	101,989	53,074	176,265	148,739	205,418	685,485

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
NET CASH USED IN OPERATING ACTIVITIES	(28,009)	(128,646)
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of pledged bank deposits	(35,698)	(1,405)
Withdrawal of pledged bank deposits	64,654	73,587
Interest received	1,642	3,448
Purchase of property, plant and equipment	(2,742)	(8,521)
Proceeds from disposal of property, plant and equipment	301	190
Deposits paid for acquisition of property, plant and equipment	(3)	–
NET CASH GENERATED FROM INVESTING ACTIVITIES	28,154	67,299
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	252,500	204,510
Repayment of bank and other borrowings	(263,620)	(233,266)
Principal element of lease payments	–	(618)
NET CASH USED IN FINANCING ACTIVITIES	(11,120)	(29,374)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,975)	(90,721)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	190,068	263,398
CASH AND CASH EQUIVALENTS AT END OF PERIOD	179,093	172,677
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	179,093	172,677

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2024

1. GENERAL INFORMATION

China Weaving Materials Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 4 May 2011 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited on 22 December 2011. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is at Fengtian Economic Development Zone of Fengxin County, Yichun City, Jiangxi Province, The People’s Republic of China (“**PRC**”).

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

This unaudited condensed consolidated financial information for the six months ended 30 June 2024 is presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

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

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

At 30 June 2024, the Group’s current liabilities exceeded its current assets by approximately RMB153,058,000 and the Group incurred net loss of approximately RMB3,048,000 and operating cash outflow of approximately RMB28,009,000 for the six months ended 30 June 2024. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the unaudited condensed consolidated financial information has been prepared on a going concern basis as the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2024

2. BASIS OF PREPARATION (Continued)

- (a) The banking facilities from the Group's bankers for its working capital requirements for the next twelve months will be available as and when required, having regard to the following:
- (i) The Group can successfully obtain its bankers' approval for rollover of its short-term bank borrowings. Up to the date of the unaudited condensed consolidated financial information authorised for issue, certain bankers have agreed to renew the Group's bank borrowings amounting to approximately RMB40,000,000 currently included in current liabilities at 30 June 2024.
 - (ii) The Group will also continue to seek for further financing. Certain existing property, plant and equipment and right-of-use assets can be offered as security for further financing.
- (b) The Group is closely monitoring the latest developments and will continue to assess the impact of any change in government policy, global financial market, economy and business environment on the Group's operations from time to time and adjust its production and sales strategies for its business to generate sufficient operating cash flows.

Having taken into account the above, the directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due in the next 12 months. Accordingly, the unaudited condensed consolidated financial information has been prepared on a going concern basis.

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

3. ADOPTION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS

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

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

Amendments to IAS 1	–	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
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Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2024

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

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

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

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

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

4. **FAIR VALUE MEASUREMENTS**

The carrying amounts of the Group’s financial assets and financial liabilities as reflected in the unaudited condensed consolidated statement of financial position approximate their respective fair values.

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

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

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

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

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

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2024

4. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosure of level in fair value hierarchy:

At 30 June 2024

Description	Fair value measurement using Level 2 (unaudited) RMB'000
Recurring fair value measurements:	
Financial assets	
Financial assets at fair value through profit or loss	
Bills receivable	3,180

At 31 December 2023

Description	Fair value measurement using Level 2 (audited) RMB'000
Recurring fair value measurements:	
Financial assets	
Financial assets at fair value through profit or loss	
Bills receivable	2,500

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

Level 2 fair value measurements

Description	Valuation technique	Key input	Fair value	
			At 30 June 2024 (unaudited) RMB'000	At 31 December 2023 (audited) RMB'000
Bills receivable	Discounted cash flows	Discount rate	3,180	2,500

There were no changes in the valuation technique used.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2024

5. SEGMENT INFORMATION

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

Geographical information

Over 99% (for the six months ended 30 June 2023: 99%) of the Group's non-current assets were located in the PRC, and accordingly, no related geographical information of non-current assets is presented.

Over 99% (for the six months ended 30 June 2023: 99%) of the Group's revenue were derived from sales of yarns in the PRC based on where goods are delivered to, which are also same as the location of customers.

Information about major customers

No revenue from single customer contributed over 10% of the total revenue of the Group in both periods.

6. REVENUE

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

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

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2024

7. OTHER INCOME

	Six months ended 30 June	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB000
Interest income	1,642	3,448
Government grants	1,063	5,710
Income from scrap sales	9,271	6,893
Rental income	588	583
Others	332	28
	12,896	16,662

8. OTHER GAINS AND LOSSES

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

9. FINANCE COSTS

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

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2024

10. INCOME TAX CREDIT

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

No provision for Hong Kong Profits Tax for the six months ended 30 June 2024 and 2023 have been made as there is no assessable profit subject to Hong Kong Profits Tax.

CIT is calculated at the prevailing tax rate on the taxable income of the subsidiaries or applicable withholding income tax rate on dividends paid by the subsidiaries in the PRC.

11. LOSS FOR THE PERIOD

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

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

12. DIVIDENDS

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

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2024

13. LOSS PER SHARE

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

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment with a cost of approximately RMB1,100,000 (unaudited) (six months ended 30 June 2023: RMB14,647,000 (unaudited)). These acquisitions are mainly in relation to its manufacturing plants in the PRC.

Items of property, plant and equipment with a net carrying amount of approximately RMB934,000 (unaudited) were disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: approximately RMB719,000 (unaudited)).

15. RIGHT-OF-USE ASSETS

At 30 June 2024, the Group's right-of-use assets represent leasehold land and properties and plant and machinery under leases.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2024

16. INVENTORIES

	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000
Raw materials	102,626	80,339
Work in progress	14,387	16,280
Finished goods	159,876	127,603
	276,889	224,222

17. TRADE AND OTHER RECEIVABLES

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

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

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

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2024

18. BILLS RECEIVABLE

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

	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000
0 – 30 days	1,860	100
31 – 90 days	800	–
91 – 180 days	520	2,400
	3,180	2,500

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

	Bills receivable endorsed to suppliers with full recourse	
	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000
Carrying amount of recognised financial assets	3,180	2,500
Carrying amount of corresponding liabilities not set off	(3,180)	(2,500)

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2024

19. TRADE AND OTHER PAYABLES

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

The following is an analysis of trade payables by age, based on the invoice date which approximates the respective dates when the goods are delivered and the titles have passed to the Group:

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

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2024

20. BILLS PAYABLE

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

	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000
0 – 30 days	15,039	–
31 – 90 days	27,986	30,476
91 – 180 days	2,673	34,278
181 – 365 days	–	10,000
	45,698	74,754

21. BANK AND OTHER BORROWINGS

	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000
Secured	360,043	371,163
Unsecured	105,000	105,000
	465,043	476,163
Amount payable within one year	383,093	406,092
Amount payable over one year	81,950	70,071
	465,043	476,163

At 30 June 2024, certain assets of the Group have been pledged as collaterals for secured bank and other borrowings.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2024

22. SHARE CAPITAL

	Number of shares '000	HK\$'000
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Ordinary shares of HK\$0.1 each

Authorised:

At 31 December 2023 (audited) and 30 June 2024 (unaudited)	10,000,000	1,000,000
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	Number of shares '000	HK\$'000	RMB'000
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Issued and fully paid:

At 31 December 2023 (audited) and 30 June 2024 (unaudited)	1,252,350	125,235	101,989
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23. CAPITAL COMMITMENTS

	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000
Acquisition of property, plant and equipment and construction of new production facilities and infrastructure	2,857	7,975

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2024

24. RELATED PARTY TRANSACTIONS

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

(a) Transactions with a related party

	Six months ended 30 June	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
Short-term employee benefits in relation to a close family member of a key management personnel	243	204

(b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group is as follows:

	Six months ended 30 June	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
Short-term benefits	1,953	1,625

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

At 30 June 2024, included in accrued salaries and wages was an amount of approximately RMB41,000 (unaudited) (at 31 December 2023: RMB41,000 (audited)) being accrued remuneration in relation to key management personnel which is unsecured, interest-free and to be settled in cash.

25. EVENTS AFTER THE REPORTING PERIOD

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

26. CONTINGENT LIABILITIES

At 30 June 2024, the Group did not have any significant contingent liabilities (at 31 December 2023: Nil).

27. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited condensed consolidated financial information was approved and authorised for issue by the Board of Directors on 28 August 2024.