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 2019

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 2019 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	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	4	**1,796,390**	1,836,161
Cost of sales		**(1,680,266)**	(1,640,190)
Gross profit		**116,124**	195,971
Other income	5	**28,641**	31,231
Other gains and losses		**260**	(2,723)
Distribution and selling expenses		**(28,354)**	(25,752)
Administrative expenses		**(55,645)**	(53,711)
Impairment loss on property, plant and equipment		**(44,120)**	–
Impairment loss on right-of-use assets		**(426)**	–
Profit from operations		**16,480**	145,016
Finance costs	6	**(32,690)**	(35,665)
(Loss)/Profit before tax		**(16,210)**	109,351
Income tax expense	7	**(4,100)**	(29,319)
(Loss)/Profit and total comprehensive income for the year	8	**(20,310)**	80,032
(Loss)/Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**(1,405)**	80,309
Non-controlling interests		**(18,905)**	(277)
		(20,310)	80,032
(Loss)/Earnings per share	10		
– Basic		**(RMB0.11 cents)**	RMB6.41 cents
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**951,945**	1,082,457
Prepaid lease payments		**–**	42,364
Right-of-use assets		**80,668**	–
Deposits on acquisition of property, plant and equipment		**101**	2,760
Goodwill		**20,617**	20,617
		1,053,331	1,148,198
Current assets			
Inventories		**205,787**	249,100
Trade and other receivables	11	**47,852**	31,724
Bills receivable		**10,217**	8,800
Prepaid lease payments		**–**	1,079
Pledged bank deposits		**33,807**	69,791
Restricted bank deposit		**500**	500
Cash and bank balances		**135,585**	47,548
		433,748	408,542
Current liabilities			
Trade and other payables	12	**285,069**	214,477
Contract liabilities		**16,920**	28,017
Bills payable		**81,146**	173,780
Deferred income		**227**	227
Lease liabilities		**21,605**	–
Finance lease payables		**–**	25,064
Bank and other borrowings		**370,591**	365,923
Entrusted loan payable		**50,000**	–
Current tax liabilities		**7,646**	8,688
		833,204	816,176
Net current liabilities		**(399,456)**	(407,634)
Total assets less current liabilities		**653,875**	740,564

	At 31 December	
	2019	2018
	RMB'000	*RMB'000*
Non-current liabilities		
Deferred income	**7,256**	7,483
Lease liabilities	**2,652**	–
Bank and other borrowings	**44,576**	24,176
Entrusted loan payable	**–**	50,000
Deferred tax liabilities	**33,203**	37,384
	87,687	119,043
Net assets	**566,188**	621,521
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	**101,989**	101,989
Reserves	**466,920**	490,170
	568,909	592,159
Non-controlling interests	**(2,721)**	29,362
Total equity	**566,188**	621,521

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 Hong Kong Companies Ordinance (Cap. 622).

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. As of 31 December 2019, the Group had net current liabilities of approximately RMB399,456,000. The condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the Directors have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

(a) The banking facilities from the Group's bankers for its working capital requirements for the next twelve months will be available as and when required, having regard to the following:

    (i) Up to the date of the consolidated financial statements authorised for issue, the Group's bankers agreed to renew bank borrowings amounting to approximately RMB82,300,000 currently included in current liabilities at 31 December 2019.

    (ii) Undrawn banking facilities amounting to approximately RMB22,395,000.

    (iii) Subsequent to the date of the reporting period, the Group has also successfully obtained new banking facilities of approximately RMB43,800,000.

    (iv) Certain existing property, plant and equipment and right-of-use assets can be offered as security for further financing.

(b) The Group is able to generate sufficient operating cash flows to meet its current and future obligations.

Having taken into account the above, the Directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have 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 the consolidated financial statements.

2. ADOPTION OF NEW AND REVISED IFRSs

(a) Application of new and revised IFRSs

The IASB has issued a new IFRS, IFRS 16 Leases ("IFRS 16"), and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, none of the developments have had a material effect on how the Group's financial performance and position for the current and prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16

IFRS 16 supersedes IAS 17 Leases ("IAS 17"), and the related interpretations, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases - Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact or leases where the Group is the lessor. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach under which the comparative information has not been restated and continues to be reported under IAS 17. The reclassification arising from IFRS 16 is recognised in the opening balance sheet on 1 January 2019. There is no impact on the opening balance of equity.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) *Lessee accounting and transitional impact*

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt.

To ease the transition to IFRS 16, the Group applied the practical expedient for not recognising right-of-use assets and lease liabilities for leases with less than 12 months as of the date of initial application of IFRS 16.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments at 31 December 2018 to the opening balance for lease liabilities recognised at 1 January 2019:

	RMB'000
Operating lease commitments disclosed at 31 December 2018	88
Less: Commitments relating to leases exempt from capitalisation (short-term lease with remaining lease term ending before 31 December 2019)	(88)
Add: Finance lease liabilities recognised at 31 December 2018	25,064
Lease liabilities recognised at 1 January 2019 (shown under current liabilities)	25,064

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The change in accounting policies affected the following items on the consolidated statement of financial position of the Group (increase/(decrease)) at 1 January 2019 is summarised below.

	Note	**At 1 January 2019** *RMB'000*
Assets		
Property, plant and equipment	*(1)*	(36,362)
Prepaid lease payments	*(2)*	(43,443)
Right-of-use assets		79,805
		–
Liabilities		
Finance lease payables	*(3)*	(25,064)
Lease liabilities	*(3)*	25,064
		–

Note:

(1) In relation to assets previously under finance leases, the Group recategorises the carrying amount of the relevant assets which were still leased at 1 January 2019 amounting to approximately RMB36,362,000 as right-of-use assets.

(2) Upfront payments for leasehold land in the People's Republic of China (the "**PRC**") own used properties were classified as prepaid lease payments at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately RMB1,079,000 and RMB42,364,000 respectively were classified to right-of-use assets.

(3) The Group reclassified the finance lease payables of approximately RMB25,064,000 to lease liabilities as current liabilities at 1 January 2019.

(iii) Impact of the financial performance and cash flows of the Group

Under IFRS 16, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows and operating cash outflows respectively. Total cash flows are unaffected.

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial performance and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16	**Add back: IFRS 16 depreciation and interest expenses**	**Deduct: Estimated amounts related to operating leases as if under IAS 17 (Note 1)**	**Hypothetical amounts for 2019 as if under IAS 17**	Compared to amounts reported for 2018 under IAS 17
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial performance for year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	16,480	460	(509)	16,431	145,016
Finance costs	(32,690)	79	–	(32,611)	(35,665)
(Loss)/Profit before tax	(16,210)	539	(509)	(16,180)	109,351
(Loss)/Profit for the year	(20,310)	539	(509)	(20,280)	80,032

	2019			2018
	Amounts reported under IFRS 16	**Estimated amounts related to operating leases as if under IAS 17 (Notes 1 & 2)**	**Hypothetical amounts for 2019 as if under IAS 17**	Compared to amounts reported for 2018 under IAS 17
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
Line items in the consolidated statement of cash flows for year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	121,147	(509)	120,638	323,585
Interest on lease liabilities	(969)	79	(890)	(463)
Net cash generated from operating activities	79,261	(430)	78,831	278,870
Principal element of lease payments	(7,645)	430	(7,215)	(3,028)
Net cash used in financing activities	(2,617)	430	(2,187)	(213,774)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

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

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. 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 Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020

The Group is in the process of making an assessment of what the impact of these new and revised IFRSs 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 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 Directors of the Company.

During the year ended 31 December 2019, the CODM has identified the following two reportable segments under IFRS 8 "Operating Segments". No operating segments have been aggregated to form the following reportable segments.

(a) Yarns - manufacturing and trading of yarns

(b) Staple fibres - manufacturing and trading of polyester staple fibres

The operations of Jinyuan Textile Co., Ltd. Jiangxi ("**Jiangxi Jinyuan**"), 江西華春色紡科技發展有限公司 (for identification purpose, Jiangxi Huachun Color Spinning Technology Development Co., Ltd. ("**Huachun**")) and Treasure Resources Corporation Limited represent the operating and reportable segment of the sales of yarns.

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

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

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

Information about reportable segment profit or loss:

	Yarns	Staple Fibres	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2019			
Revenue from external customers	**1,687,244**	**109,146**	**1,796,390**
Intersegment revenue	**–**	**37,495**	**37,495**
Interest income	**1,381**	**44**	**1,425**
Interest expense	**(28,437)**	**(4,252)**	**(32,689)**
Depreciation	**(61,355)**	**(6,681)**	**(68,036)**
Other material non-cash items:			
Impairment loss on property, plant and equipment	**–**	**(44,120)**	**(44,120)**
Impairment loss on right-of-use assets	**–**	**(426)**	**(426)**
Profit/(Loss) of reportable segments	**50,196**	**(71,920)**	**(21,724)**

	Yarns	Staple Fibres	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2018			
Revenue from external customers	1,726,879	109,282	1,836,161
Intersegment revenue	–	68,494	68,494
Interest income	941	12	953
Interest expense	(32,874)	(2,328)	(35,202)
Depreciation and amortisation	(57,105)	(4,798)	(61,903)
Profit/(Loss) of reportable segments	101,332	(814)	100,518

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

	2019	2018
	RMB'000	*RMB'000*
Revenue		
Total revenue of reportable segments	**1,833,885**	1,904,655
Elimination of intersegment revenue	**(37,495)**	(68,494)
Group's revenue	**1,796,390**	1,836,161
Profit or loss		
Total (loss)/profit of reportable segments	**(21,724)**	100,518
Elimination of intersegment losses	**120**	50
Adjusted for income in relation to government grants	**8,507**	10,860
Unallocated expense, net:		
Other income, gains and losses	**(820)**	(165)
Administrative and other expenses	**(2,293)**	(1,912)
Income tax expense	**(4,100)**	(29,319)
Group's (loss)/profit for the year	**(20,310)**	80,032

Geographical information

Over 99% (2018: 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% (2018: 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 2019 and 2018.

4. REVENUE

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

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products for the year is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
Sales of yarns	**1,687,244**	1,726,879
Sales of staple fibres	**109,146**	109,282
	1,796,390	1,836,161

5. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Interest income	**1,433**	959
Government grants	**8,507**	10,860
Income from scrap sales	**17,658**	18,578
Rental income	**854**	798
Others	**189**	36
	28,641	31,231

6. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**27,389**	35,077
Interest on entrusted loans	**4,332**	125
Interest on lease liabilities	**969**	–
Finance leases charges	**–**	463
	32,690	35,665

7. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax ("**EIT**")		
Provision for the year	**9,942**	9,594
Over-provision in prior year	**(1,661)**	(318)
	8,281	9,276
Deferred tax		
Origination and reversal of temporary differences	**5,080**	20,043
Impact of change in tax rate	**(9,261)**	–
	(4,181)	20,043
Total	**4,100**	29,319

No provision for Hong Kong Profits Tax for the years ended 31 December 2019 and 2018 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 EIT 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 EIT rate for Jiangxi Jinyuan is a reduced tax rate of 15% for the years ended 31 December 2019 and 2018.

Huachun, the Company's subsidiary, was subjected to the EIT tax rate at 25% for the year ended 31 December 2018. During the year ended 31 December 2019, Huachun has been recognised as a state-encouraged high-new technology enterprise. As such, Huachun is entitled to a preferential tax rate of 15% in 2019, 2020 and 2021.

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

According to the PRC EIT 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. (LOSS)/PROFIT FOR THE YEAR

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

	2019	2018
	RMB'000	*RMB'000*
Auditor's remuneration		
– Audit	**933**	887
– Others	**265**	257
	1,198	1,144
Rental expense relating to short-term lease	**88**	–
Operating lease charges for leases previously classified as operating leases under IAS 17		
– Amortisation of prepaid lease payments	**–**	1,077
– Land and buildings	**–**	507
Amortisation of intangible asset (included in administrative expenses)	**–**	17
Cost of inventories sold	**1,680,266**	1,640,190
Allowance for inventories (included in cost of inventories sold)	**3,202**	–
Depreciation on property, plant and equipment	**63,498**	60,879
Depreciation on right-of-use assets	**5,069**	–

Cost of inventories sold includes employee benefits expense and depreciation of approximately RMB183,738,000 (2018: RMB169,016,000) and RMB58,046,000 (2018: RMB52,120,000) respectively, which are included in the amounts disclosed separately above.

9. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
2019 interim dividend of HK1.5 cents (2018: nil) per ordinary share	**16,823**	–

The Board of the Directors of the Company does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: nil).

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the (loss)/profit for the year attributable to the owners of the Company and the weighted average number of ordinary shares of 1,252,350,000 (2018: 1,252,350,000) in issue during the year:

(Loss)/Earnings	**2019** ***RMB'000***	2018 *RMB'000*
(Loss)/Earnings for the purpose of calculating basic (loss)/earnings per share ((loss)/profit for the year attributable to owners of the Company)	**(1,405)**	80,309

Number of shares	**2019** ***'000***	2018 *'000*
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**1,252,350**	1,252,350

No diluted (loss)/earnings per share has been presented as there were no potential dilutive shares outstanding for the years ended 31 December 2019 and 2018.

11. TRADE AND OTHER RECEIVABLES

	2019 ***RMB'000***	2018 *RMB'000*
Trade receivables	**26,234**	21,061
Advance payment to suppliers	**9,254**	7,318
Prepayments and other receivables	**1,742**	1,021
Other tax recoverables	**10,622**	2,324
	47,852	31,724

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 15 - 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, presented based on the invoice date which approximates the respective revenue recognition dates.

	2019	2018
	RMB'000	*RMB'000*
0 - 30 days	**21,389**	18,838
31 - 90 days	**2,650**	2,130
91 - 180 days	**1,272**	85
181 - 365 days	**919**	8
Over 365 days	**4**	–
	26,234	21,061

12. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**104,605**	66,776
Other payables	**22,202**	6,965
Other tax payables	**13,081**	12,825
Accrued salaries and wages	**18,893**	19,532
Other accrued charges	**119,208**	93,870
Payables for acquisition of property, plant and equipment	**6,802**	14,266
Dividend payables	**278**	243
	285,069	214,477

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

	2019	2018
	RMB'000	*RMB'000*
0 - 30 days	**36,356**	51,308
31 - 90 days	**55,883**	13,837
91 - 180 days	**11,324**	546
181 - 365 days	**1,042**	1,085
	104,605	66,776

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 and the average credit period on purchases of goods is 30 days. 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 annual financial statements for the year ended 31 December 2019:

"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 2019, 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 Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which indicates that the Group's current liabilities exceeded its current assets by approximately RMB399,456,000 as at 31 December 2019. 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 2019, the United States (the "**US**") has achieved a GDP growth rate of around 2.5%. However, the GDP growth rate of the European Union countries was only around 1.4%. The GDP growth rate in the PRC decreased from a rate of 6.6% for 2018 to 6.0% for 2019, the lowest growth rate in almost three decades. The Sino-US trade war, a sluggish European economy and a slowing economy in the PRC have posted challenges for businesses globally.

After the significant drop in oil prices in the fourth quarter of 2018, the international average crude oil price has been picking up in the first quarter of 2019 and reached over US$65 per barrel in April. However, it has been edging down for the rest of the second quarter and hovered around US$55 per barrel for most of the time for the rest of 2019. The relatively low price of international crude oil price in 2019, as compared with that of 2018, has pushed down the prices of oil related downstream products, including raw materials for polyester yarn products. Due to lower raw materials prices, selling prices of polyester related yarn products have been under pressure.

The international cotton prices have been trading between US70 cents per pound and US75 cents per pound for most of the time in the first quarter of 2019 but the prices have taken a sudden drop to around US65 cents per pound in the second quarter and further dropped to below US60 cents per pound in the third quarter and slowly climbed back to around US70 cents per pound by the end of 2019. The domestic cotton prices in the PRC have been trading at around RMB15,500 per tonne for most of the time in the first quarter of 2019 and they have followed the downward price trend of the international cotton for the rest of year and finished at around RMB13,500 per tonne at the end of 2019. The PRC government has restarted the collection of cotton reserve by the end of 2019. Learning from past experience, the PRC government has taken into account the price disparity between international cotton prices and domestic cotton prices in setting the cotton reserve collection price and no major disturbance to the market was expected. The PRC government also continued with the policy of direct subsidy to Xinjiang farmers and the orderly auction of the PRC national cotton reserve. Despite a more stable regulatory environment, both the international and domestic cotton prices have shown signs of weakness since the second quarter of 2019 under the threat of global economy slowdown triggered by trade war and other uncertainties in the macro environment.

The suspension of trade talks between the PRC and the US in the first half of 2019 together with the increase in tariff from 10% to 25% on US$200 billion worth of export products from China by the US in May have greatly undermined business confidence and created great uncertainty in the macroeconomic environment. A downward price trend of the basic raw materials for polyester related yarn products driven by oil related downstream products and the weakening of domestic cotton prices and international cotton prices have exacerbated unfavourable market conditions for the textile industry as a whole. In Europe, Brexit and political unrest in certain major European countries continued to hinder the economic recovery. The trade war with the US and a weak European economy are unfavourable factors for the exporters of the PRC. On the domestic side, a slowing domestic economy, the stepping up of the enforcement of environment protection, rising labour cost and keen competition from excess capacities have made business difficult. Both external and internal factors have introduced risks and uncertainties for the industry as whole.

BUSINESS REVIEW

The sales volume of yarn products of the Group increased by 7.8% from approximately 119,506 tonnes for the year ended 31 December 2018 to approximately 128,808 tonnes for the year ended 31 December 2019. The production volume of yarn products of the Group slightly increased by 0.5% from approximately 122,856 tonnes for the year ended 31 December 2018 to approximately 123,528 tonnes for the year ended 31 December 2019. The revenue of the Group decreased by 2.2% to approximately RMB1,796.4 million for the year ended 31 December 2019 as compared to approximately RMB1,836.2 million for the year ended 31 December 2018. The gross profit and the loss attributable to the owners of the Company for the year ended 31 December 2019 were approximately RMB116.1 million and approximately RMB1.4 million, respectively.

In order to cope with the adverse market conditions, the Group has adjusted its product mix and shifted its emphasis to mass market products which are generally geared to downstream customers engaged in the PRC domestic market. Certain production capacities have been modified from the production of polyester-cotton blended yarn products to pure polyester yarn products which are mass market products. Although high end products, including polyester-cotton blended yarn products and pure cotton yarns products with higher counts, generally produce better margin but they are more geared to downstream customers engaged in export markets to the US and Europe which are currently under severe headwinds. The Group is also adapting a more flexible pricing strategy in response to the current market conditions with a view to sustain sales volume. The above measures will increase the pressure on gross margin and profitability of the Group but they could result in a healthier inventory level and make the Group more endurable under harsh market conditions.

The Group's subsidiary company, Xinyuan has continued to rationalize its production in 2019. 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 increased by 9.0% from approximately 20,000 tonnes for the year ended 31 December 2018 to approximately 21,808 tonnes for the year ended 31 December 2019. The production volume of PSF increased by 63.1% from approximately 18,000 tonnes for the year ended 31 December 2018 to approximately 29,358 tonnes for the year ended 31 December 2019.

Xinyuan has been utilizing recycled plastic chips as one of its raw materials and the related products are considered environmental friendly. However, since the PRC government restricted the import of overseas waste in the end of 2017, the supply of recycled plastic chips has been very tight and the prices have gone up. This has led to narrowing of price disparity between PSF manufactured from recycled raw materials and PSF manufactured directly from petroleum by-products like purified terephthalic acid. PSF manufactured from recycled raw materials has come under intense competitive pressure and the industry has been consolidating since then.

The continuous downward trend in oil prices in the second half of 2019 has exacerbated the difficult operating environment for manufacturers of PSF from recycled raw materials and Xinyuan, as a result, suffered heavy operating loss in 2019. In this connection, for the sake of prudence, the Group has conducted a valuation of the properties, plant and equipment ("**PPE**") of Xinyuan and has written down the book value by approximately RMB44.1 million. However, as the industry further consolidates and some international apparel brands have begun mandating the use of environmental friendly raw materials for their products, the Group considered the industry should reach a turning point soon. As one of the minority shareholders of Xinyuan did not want to continue with the investment, the Group has acquired an additional 26% interest in Xinyuan in July 2019 from the minority shareholder at a consideration of RMB18.2 million. The Group is confident in the long term future of Xinyuan and believes the acquisition could streamline the shareholding structure and improve management efficiency.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the year ended 31 December 2019 was approximately RMB1,796.4 million, representing a decrease of approximately RMB39.8 million, or 2.2%, as compared to last year. The analysis of the sales of the Group's products is as below:

	Year ended 31 December 2019 *RMB'000*		Year ended 31 December 2018 *RMB'000*	
Polyester yarns	**618,745**	**34.4%**	599,412	32.6%
Polyester-cotton and viscose-cotton blended yarns	**718,561**	**40.0%**	745,522	40.6%
Grey and deep grey mélange and mélange - cotton blended yarns	**165,754**	**9.2%**	215,486	11.7%
Viscose and stretchable core viscose yarns	**141,241**	**7.9%**	126,704	6.9%
Cotton yarns	**42,329**	**2.4%**	37,251	2.1%
Raw materials	**109,760**	**6.1%**	111,786	6.1%
	1,796,390	**100%**	1,836,161	100%

The slight decrease in the revenue of the Group for the year ended 31 December 2019 was mainly attributable to the decrease in the average selling price of yarn products of the Group of 9.3% from approximately RMB14,429 per tonne for the year ended 31 December 2018 to approximately RMB13,089 per tonne for the year ended 31 December 2019, despite the sales volume increased by approximately 7.8% for the year ended 31 December 2019 as compared to 2018.

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased from approximately RMB196.0 million for the year ended 31 December 2018 to approximately RMB116.1 million for the year ended 31 December 2019. The gross profit margin of the Group decreased from approximately 10.7% for the year ended 31 December 2018 to approximately 6.5% for the year ended 31 December 2019. The decrease in gross profit was mainly due to decrease in gross profit margin despite revenue has only slightly decreased by approximately 2.2%. Due to adverse market conditions in the second half of 2019, the Group has adjusted its product mix and pricing strategy in order to achieve sales.

Other Income

Other income of the Group decreased from approximately RMB31.2 million for the year ended 31 December 2018 to approximately RMB28.6 million for the year ended 31 December 2019, representing a decrease of approximately RMB2.6 million or 8.3%. The decrease in other income was mainly due to decrease in income from scrap sales and government grants.

Distribution and Selling Expenses

Distribution and selling expenses of the Group increased from approximately RMB25.8 million for the year ended 31 December 2018 to approximately RMB28.4 million for the year ended 31 December 2019, representing an increase of approximately RMB2.6 million or 10.1%. The increase in distribution and selling expenses was mainly due to increase in sales volume of approximately 7.8% and change in customers and delivery destinations mix. Distribution and selling expenses as a percentage of revenue of the Group was approximately 1.6% for the year ended 31 December 2019 (year ended 31 December 2018: 1.4%).

Administrative Expenses

Administrative expenses of the Group increased from approximately RMB53.7 million for the year ended 31 December 2018 to approximately RMB55.6 million for the year ended 31 December 2019, representing an increase of 3.5% or approximately RMB1.9 million. The increase was mainly due to increase in staff cost. Administrative expenses as a percentage of revenue of the Group was approximately 3.1% for the year ended 31 December 2019 (year ended 31 December 2018: 2.9%).

Finance Costs

Finance costs of the Group decreased from approximately RMB35.7 million for the year ended 31 December 2018 to approximately RMB32.7 million for the year ended 31 December 2019, representing a decrease of 8.4% or approximately RMB3.0 million. The decrease in the Group's finance costs was mainly due to less finance charge on discounted bills transactions during the year.

Income Tax Expense

The Group's income tax expense decreased from approximately RMB29.3 million for the year ended 31 December 2018 to approximately RMB4.1 million for the year ended 31 December 2019, representing a decrease of 86.0% or approximately RMB25.2 million. The decrease in income tax expense was mainly due to the deferred tax credit since a PRC subsidiary is eligible for a reduced preferential enterprise income tax rate.

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

Loss attributable to owners of the Company for the year ended 31 December 2019 was approximately RMB1.4 million (year ended 31 December 2018: profit attributable to owners of the Company of approximately RMB80.3 million). The net loss margin of the Group for the year ended 31 December 2019 was approximately 0.1% (year ended 31 December 2018: net profit margin of 4.4%). The Group's net loss was mainly due to the decrease in gross profit and impairment losses on PPE.

(Loss)/Earnings per Share

The basic loss per share of the Company for the year ended 31 December 2019 was approximately RMB0.11 cents as compared with approximately RMB6.41 cents basic earnings per share for the year ended 31 December 2018. The loss per share of the Company was due to the net loss for the year ended 31 December 2019.

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 2019, the Group generated net cash inflow from operating activities. The Group had cash and bank balances of approximately RMB135.6 million (31 December 2018: RMB47.5 million), pledged bank deposits of approximately RMB33.8 million (31 December 2018: RMB69.8 million) and restricted bank deposit of approximately RMB0.5 million (31 December 2018: RMB0.5 million) at 31 December 2019. The Group's cash and bank balances were mainly held in Hong Kong Dollars, US Dollars ("US$") and RMB.

Capital Structure and Pledge of Assets

The Group's interest-bearing borrowings were made in RMB, US$ and Hong Kong Dollars. As at 31 December 2019, the Group's interest-bearing borrowings amounted to approximately RMB489.4 million (31 December 2018: RMB465.2 million), of which approximately RMB442.2 million (90.4%) (31 December 2018: RMB391.0 million (84.0%)) was repayable within one year or on demand. The Group's banking facilities were secured by its right-of-use assets, PPE and pledged bank deposits with a carrying value of approximately RMB699.1 million in aggregate (31 December 2018: RMB772.3 million). The share capital of a subsidiary company of the Group was also pledged to secure the Group's banking facilities.

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank and other borrowings, entrusted loan payable, lease liabilities and bills payable to total assets, was approximately 38.4% at 31 December 2019 (31 December 2018: 41.0%). Net current liabilities and net assets at 31 December 2019 was approximately RMB399.5 million (31 December 2018: RMB407.6 million) and RMB566.2 million (31 December 2018: RMB621.5 million), respectively.

Foreign Exchange Exposure

The Group has foreign currency cash and bank balances, pledged bank deposits, other receivables, bills payable, bank and other borrowings, lease liabilities and trade and other payables which mainly expose the Group to risk in Hong Kong Dollars and US$. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2019 were approximately RMB5.3 million (31 December 2018: RMB4.7 million) and RMB48.0 million (31 December 2018: 32.8 million), respectively. The Group had not used any financial instrument for hedging purposes during the year ended 31 December 2019.

Contingent Liabilities

As at 31 December 2019, the Group did not have any significant contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 31 December 2019, the Group had a total of 3,182 employees (31 December 2018: 3,196). 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 3 December 2011, under which the Company may grant options to eligible persons including the Directors and employees. No share option has been granted pursuant to the scheme since its adoption.

Significant Investments and Material Acquisitions and Disposal of Subsidiaries

The Group has acquired an additional 26% interest in Xinyuan from a minority shareholder in July 2019 at a consideration of RMB18.2 million.

Save as disclosed above, during the year ended 31 December 2019, the Group did not have any significant investments or acquisitions or sales of subsidiaries.

PROSPECTS

In 2019, the PRC suffered from the trade war with the US, a weak European economy and a slowing domestic economy. In January 2020, the US and the PRC governments signed the Phase One trade agreement. It signifies, at least temporarily, a truce of trade war between the two countries, and alleviates one of the major uncertainties for the global economy. However, the outbreak of the Novel Coronavirus (2019-nCoV) epidemic (the "**Epidemic**") in the PRC and the subsequent spread to other countries in February have dealt a serious blow to the fragile global economy. In March, the price war between Saudi Arabia and Russia triggered a sudden collapse in crude oil prices. The Epidemic and the crash of crude oil prices sent the global financial markets into panic. The above-mentioned factors have introduced risks and difficulties for the global economy and the textile industry as a whole.

In order to cope with the adverse market conditions, the Group has modified certain production capacities in order to adjust its product mix. The Group also adapted a more flexible pricing strategy in response to the current market conditions with a view to sustain sales volume.

Looking forward, the US and the PRC governments have yet to agree on the Phase Two trade agreement. The Epidemic will take time to be put under control and there is also the threat of downward price pressure of oil related products triggered by falling crude oil prices. All the above factors will continue to pose threats to the already sluggish global economy and the textile industry in the PRC.

The Group will continue to closely monitor the market conditions and take necessary measures to adjust its production capacities, product mix and pricing strategy. Taking into account the benefits from the enlarged product portfolio and the economies of scale, the Group is confident about its long term future. The Group believes it is well positioned to take advantage of any positive outlook in the textile industry given its scale of production, strong brand recognition and professional management.

DIVIDEND

The 2019 interim dividend of HK1.5 cents in cash per ordinary share was approved and declared by the Board of the Directors of the Company on 28 August 2019.

The Board of the Directors of the Company does not recommend the payment of final dividend in respect of the year ended 31 December 2019.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company (the "**Annual General Meeting**") will be held on Friday, 17 July 2020. 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.

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 Tuesday, 14 July 2020 to Friday, 17 July 2020, 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 Monday, 13 July 2020.

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 2019.

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, during the year ended 31 December 2019, 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 C.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 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 an annual review for the need of an IA function.

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 2019.

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 2019.

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 2019 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 audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final 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 2019 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

Jiangxi, PRC

25 March 2020

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.