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CHINA WEAVING MATERIALS HOLDINGS LIMITED

中國織材控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3778)

RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2026

The board (the “**Board**”) of directors (the “**Directors**”) of China Weaving Materials Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2026 together with the comparative figures for the corresponding period in 2025 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2026

		2026 (unaudited) RMB’000	2025 (unaudited) RMB’000
	<i>Note</i>		
Revenue	4	460,946	511,461
Cost of sales		(419,239)	(479,335)
Gross profit		41,707	32,126
Other income	5	8,665	11,621
Other losses		(83)	(759)
Distribution and selling expenses		(8,926)	(10,139)
Administrative expenses		(22,278)	(21,820)
Finance costs	6	(7,079)	(8,643)
Profit before tax		12,006	2,386
Income tax expense	7	(1,202)	(12,482)
Profit/(Loss) and total comprehensive (expense)/income for the period	8	10,804	(10,096)
Earnings/(Loss) per share	10		(Restated)*
Basic		RMB8.6 cents	(RMB8.1) cents
Diluted		N/A	N/A

* See note 10 for details regarding the restatement as a result of share consolidation.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2026 (unaudited) RMB'000	31 December 2025 (audited) RMB'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		716,614	742,428
Right-of-use assets		30,403	31,107
Deposits on acquisition of property, plant and equipment		46,977	7,012
Goodwill		20,617	20,617
		814,611	801,164
Current assets			
Inventories		271,696	180,292
Trade and other receivables	<i>11</i>	36,246	15,054
Bills receivable		205	947
Pledged bank deposits		27,922	25,578
Cash and bank balances		203,053	293,704
Short-term time deposits		42,460	—
Financial asset at fair value through profit or loss		8,971	—
		590,553	515,575
Assets classified as held for sale	<i>12</i>	40,734	40,734
		631,287	556,309
Current liabilities			
Trade and other payables	<i>13</i>	210,494	213,532
Contract liabilities		72,310	5,637
Bills payable		42,754	65,578
Deferred income		264	264
Bank and other borrowings		421,580	370,791
Current tax liabilities		2,473	5,028
		749,875	660,830
Net current liabilities		(118,588)	(104,521)
Total assets less current liabilities		696,023	696,643

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

	30 June 2026 (unaudited) RMB'000	31 December 2025 (audited) RMB'000
Non-current liabilities		
Deferred income	5,379	5,511
Bank and other borrowings	–	10,000
Deferred tax liabilities	26,860	28,152
	32,239	43,663
NET ASSETS	663,784	652,980
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	101,989	101,989
Reserves	561,795	550,991
TOTAL EQUITY	663,784	652,980

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

1. 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 2025. 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 2025 and there have been no significant changes in the financial risk management policies for the six months ended 30 June 2026.

At 30 June 2026, the Group’s current liabilities exceeded its current assets by approximately RMB118,588,000. This condition indicates 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:

- (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 renewed or agreed to renew the Group’s bank borrowings amounting to approximately RMB45,000,000 currently included in current liabilities at 30 June 2026.
 - (ii) Subsequent to the date of the reporting period, the Group has also successfully obtained new banking facilities of approximately RMB4,000,000.
 - (iii) The Group will also continue to seek for further financing. Certain existing property, plant and equipment and right-of-use assets can be offered as security for further financing.

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

2. 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 2026. IFRS Accounting Standards comprise International Financing Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new developments 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 2025, 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 2026 as set out below:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11

The adoption of these revised standards does not have significant impact on this unaudited condensed consolidated financial information. The Group has not early adopted any of the forthcoming new or amended standards in preparing this unaudited condensed consolidated financial information.

3. 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 2025: 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 2025: 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.

4. REVENUE

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

	Six months ended 30 June	
	2026	2025
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15 Revenue from Contracts with Customers		
– Sales of yarns	<u>460,946</u>	<u>511,461</u>

5. OTHER INCOME

	Six months ended 30 June	
	2026	2025
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	860	1,308
Government grants	227	187
Income from scrap sales	6,897	9,388
Rental income	669	700
Others	12	38
	<u>8,665</u>	<u>11,621</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2026	2025
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank and other borrowings	<u>7,079</u>	<u>8,643</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2026	2025
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
PRC Corporate Income Tax (“CIT”)		
Provision for the period	(2,494)	(1,500)
Under-provision in prior years	–	(408)
Deferred tax	<u>1,292</u>	<u>(10,574)</u>
	<u>(1,202)</u>	<u>(12,482)</u>

No provision for Hong Kong Profits Tax for the six months ended 30 June 2026 and 2025 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.

Jinyuan Textile Co., Ltd, Jiangxi (“**Jinyuan**”) and Jiangxi Huachun Color Spinning Technology Development Co., Ltd. (“**Huachun**”), the Company’s subsidiaries, are subject to the normal CIT tax rate at 25% for the six months ended 30 June 2026 and 2025.

8. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2026	2025
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Depreciation		
– Owned property, plant and equipment	35,804	37,814
– Right-of-use assets	704	801
Cost of inventories sold	419,239	479,335

9. DIVIDENDS

The Board resolved not to declare the payment of an interim dividend in respect of the six months ended 30 June 2026 (six months ended 30 June 2025: HK15 cents per ordinary share (restated)).

10. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2026	2025
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit/(Loss) for the purpose of calculating basic earnings/(loss) per share (profit/(loss) for the period attributable to owners of the Company)	10,804	(10,096)

	Six months ended 30 June	
	2026	2025
	(unaudited)	(unaudited)
	'000	'000
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	125,235	125,235

No diluted earnings/(loss) per share has been presented as there were no potential dilutive shares outstanding for the six months ended 30 June 2026 and 2025.

The weighted average number of shares and the basic loss per share for the six months ended 30 June 2025 are adjusted retrospectively to take into account the effect of share consolidation which took effective on 11 November 2025.

11. TRADE AND OTHER RECEIVABLES

	30 June 2026 (unaudited) RMB'000	31 December 2025 (audited) RMB'000
Trade receivables	6,753	10,204
Less: Allowance for doubtful debt	(545)	(585)
	<u>6,208</u>	<u>9,619</u>
Advance payments to suppliers	25,441	4,178
Prepayments and other receivables	4,597	1,257
	<u>36,246</u>	<u>15,054</u>

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

	30 June 2026 (unaudited) RMB'000	31 December 2025 (audited) RMB'000
0 – 30 days	5,618	9,532
31 – 60 days	409	87
61 – 90 days	35	–
91 – 180 days	146	–
	<u>6,208</u>	<u>9,619</u>

12. ASSETS CLASSIFIED AS HELD FOR SALE

	30 June 2026 (unaudited) RMB'000	31 December 2025 (audited) RMB'000
Assets classified as held for sales		
– Right-of-use assets (<i>note</i>)	6,776	6,776
– Property, plant and equipment (<i>note</i>)	33,958	33,958
	<u>40,734</u>	<u>40,734</u>

Note: In December 2025, the Group negotiated with a purchaser to sell 8 parcels total area of 215.8 mu (approximately 143,867 sq metres) and premises erected on that land with a total floor area of approximately 37,074 square metres, situated in the Fengxin Industrial zone, Fengxin County, Jiangxi Province, the PRC. The Group subsequently entered into an agreement with the purchaser for the transaction at a cash consideration of approximately RMB45,027,000 in January 2026.

13. TRADE AND OTHER PAYABLES

	30 June 2026 (unaudited) RMB'000	31 December 2025 (audited) RMB'000
Trade payables	27,008	17,161
Other payables	7,778	8,259
Other tax payables	13,057	18,385
Accrued salaries and wages	9,981	14,678
Other accrued charges	152,414	154,738
Payables for acquisition of property, plant and equipment	256	311
	<u>210,494</u>	<u>213,532</u>

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

	30 June 2026 (unaudited) RMB'000	31 December 2025 (audited) RMB'000
0 – 30 days	25,846	16,225
31 – 90 days	771	–
91 – 180 days	130	720
181 – 365 days	46	–
Over 365 days	215	216
	<u>27,008</u>	<u>17,161</u>

MARKET OVERVIEW

During the six months ended June 30, 2026, the global economy faced headwinds from geopolitical conflicts, drastic swings in energy prices and persistent trade barriers, resulting in sluggish overall growth and divergent performance across economies. The high-interest-rate environment continued to weigh on consumption and investment. The textile industry grappled with dual pressures of rising costs and weakening demand.

The Russia-Ukraine military conflict (the “**Russia-Ukraine Conflict**”) remained a long-running standoff with no signs of a full ceasefire. The Middle East emerged as the biggest risk hotspot in first half of 2026. Military clashes between the United States of America (the “**US**”) and Iran (the “**US-Iran Conflict**”) broke out in February, disrupting shipping through the Strait of Hormuz and fuelling expectations of tighter global crude supply. Regional risk premiums eased only after the two sides reached a temporary ceasefire in June, yet underlying frictions persisted. On the trade front, the US maintained reciprocal tariff policies without easing trade barriers for manufactured goods including textiles and chemicals. Global supply chains accelerated regionalization.

Macroeconomic data showed stark divergence across major economies. US GDP rose 2.1% year-on-year in the first quarter of 2026, climbing to 2.6% in the second quarter driven by AI industry investment. Consumer spending remained resilient, though high interest rates suppressed manufacturing investment. The European Union (the “**EU**”) economy stayed feeble, posting GDP growth of merely 0.3% and 0.6% in quarter one and quarter two respectively, dragged down by elevated energy costs and insufficient end-user demand. The economy of the Peoples Republic of China (“**PRC**”) operated steadily, with GDP expanding 4.9% and 4.7% in quarter one and quarter two respectively. High-end manufacturing and new energy exports acted as key pillars, while recovery in traditional consumption lagged behind expectations. Major institutions revised down their full-year global GDP growth forecast to 2.8% mid-year, citing geopolitical risks, high interest rates and sluggish demand as core drag factors.

Brent crude traded within a range of USD61 to 126 per barrel in the first half of 2026, with far greater volatility than in 2025. At the start of the year, oil prices lingered between USD60 to 72 per barrel amid market expectations of production hikes by the Organization of the Oil Exporting Countries + (“**OPEC+**”) and ample US shale oil supply. The US-Iran Conflict in late February, disrupting supply chains and slashing strait shipping volumes, pushing oil prices swiftly above USD100 per barrel. Prices stabilized in the USD90 to 110 range from March to May. After the June ceasefire restored shipping routes and eased risk aversion, crude prices tumbled back to roughly USD73 per barrel. On the supply side, OPEC+ kept production cut measures in place and only planned modest output increases for August, leaving limited short-term supply flexibility. Sharp oil price swings rippled downstream to the chemical and polyester yarn sectors.

In contrast to persistently weak cotton prices in 2025, domestic and international cotton prices trended markedly higher in the first half of 2026. ICE cotton futures traded mostly at 78–90 US cents per pound. Key bullish drivers included Higher energy and logistics costs across the full industrial chain stemming from Middle East conflicts; Forecasts of reduced new-season cotton output in the Southern Hemisphere; Phased restocking purchases by overseas textile mills. However, elevated global interest rates capped end-consumer demand, preventing sustained unilateral rallies and locking cotton prices into range-bound volatility. China's standard grade lint cotton traded between RMB16,000 to 17,700 per tonne in the first half of 2026, which was higher than that of the corresponding period in 2025. There was no change in policies including state cotton reserve auctions and direct subsidies for cotton farmers. Downstream textile mills generally adopted a prudent short-term purchasing strategy, with sharply reduced volumes of long-term supply contracts.

The external operating environment for the textile sector remained complex in the first half of 2026, marked by rigid hikes in raw material, ocean freight and labour costs alongside ongoing supply chain restructuring. Nevertheless, domestic retail and export figures rebounded into positive territory compared to 2025. Data from the National Bureau of Statistics showed retail sales of textiles and apparel by above-quota enterprises rose 6.7% year-on-year in the first half of 2026, reversing the downward trend recorded last year. Sportswear and light-luxury apparel outperformed the market, while demand for affordable basic textile products stayed muted, widening segmentation across the sector. On the export front, Customs statistics indicated combined textile and apparel exports grew 1.4% year-on-year, ending two consecutive years of export declines in the first half. Export order volumes expanded in emerging markets including Southeast Asia and the Middle East, while traditional European and American markets lagged due to tariff barriers and sluggish consumer spending.

The textile industry continued to face multiple challenges in 2026. The complex international trade environment, ongoing global supply chain adjustments, and consistently high domestic production costs exerted significant pressure on the industry.

BUSINESS REVIEW

The sales volume of yarn products of the Group decreased by 14.1% from approximately 45,254 tonnes for the six months ended 30 June 2025 to approximately 38,864 tonnes for the six months ended 30 June 2026. The decrease in sales volume was mainly due to unfavourable market conditions and change in product mix by the Group. The production volume of yarn products of the Group decreased by 16.7% from approximately 51,113 tonnes for the six months ended 30 June 2025 to approximately 42,572 tonnes for the six months ended 30 June 2026. The production volume was reduced by the Group in response to the current market conditions and to reduce the level of inventory.

The revenue of the yarn products of the Group decreased by 9.9% to approximately RMB460.9 million for the six months ended 30 June 2026 as compared to RMB511.5 million for the six months ended 30 June 2025. The gross profit and the profit attributable to the owners of the Company for the six months ended 30 June 2026 were approximately RMB41.7 million and approximately RMB10.8 million, respectively.

Jinyuan Textile Co. Ltd., Jiangxi (“**Jinyuan**”), a subsidiary of the Group, has suspended production of workshop number one in 2024 as it was built almost 20 years ago. The production capacity of workshop number one was replaced by workshop number nine which became fully operational in late 2023. Workshop number nine employs the latest rotor spinning technology and is highly automated. Such replacement greatly reduced the labour cost of Jinyuan. As part of the regular review of the production capacities of the Group, Jinyuan also suspended the production of workshop number two in August. Workshop number two has a production capacity of around 66,000 spindle and the production volume was around 700 tonnes per month before suspension. It was engaged in the production of polyester-cotton blended yarns. Workshop number two was also built almost 20 years ago, most of the production equipment was installed for more than 15 years. The technologies employed has been outdated and the production process has been labour intensive. After taking into account the current market conditions and the production cost of workshop number two, the Group has decided to suspense production.

As announced by the Company in November 2025 and March 2026, Jinyuan has entered into contracts to purchase a total of 24 sets of Murata Vortex Spinning Machines (“**Vortex Machines**”). The vortex spinning machine utilise a revolutionary spindle-less spinning technology. It uses compressed air to create a vortex inside a spindle, which directly condenses and twists fibres into yarn. This is fundamentally different from traditional ring spinning (which relies on a high-speed rotating spindle and traveler) and rotor spinning (which uses a rotating cup to consolidate fibres). The advantages of vortex spinning technology include extremely high speed, better yarn quality, shortened production process and cost reduction. Jinyuan commenced the construction of workshop number ten in early 2026 for the accommodation of Vortex Machines and the completion is expected by the end of the third quarter of 2026. The first batch of Vortex machines comprising 12 sets has been delivered. The second batch of Vortex machines comprising 12 sets was scheduled to be delivered in the fourth quarter of 2026. It is expected the installation and testing of the first batch of Vortex Machine will commence by the end of the third quarter of 2026. The Board considers the introduction of vortex spinning production facilities will improve production efficiency and enhance power savings.

The Group also proactively adjusted its product portfolio in response to the rapidly changing market environment. Following the change of workshop number five of Jinyuan from the production of polyester yarn products to grey and deep grey melange yarns products in 2025, workshop number eight of Jinyuan also changed from the production of polyester yarn products to lyocell yarn products at the end of the second quarter of 2026. Lyocell fiber is a regenerated cellulosic fiber yarn made from natural wood pulp through an environmentally friendly closed-loop production process. It combines the advantages of multiple fiber types and is often hailed as a “green fiber” that offers comfort, strength, and environmental sustainability. Lyocell yarn products are widely used in high-quality knitwear, underwear, socks, home textiles, such as bedding and other next-to-skin garments. The Group believes that lyocell yarn products could target downstream customers engaged in higher end products and offer better margin than mass market polyester yarn products which face intense competition.

In the first half of 2026, the export market for textile products remains challenging. Although the Reciprocal Tariff by the Trump administration against all trading partners was ultimately ruled illegal by the Supreme Court in February 2026 and forced to be terminated, the Trump administration swiftly continued the tariff using the Trade Act of 1974 as the legal backing. Accordingly, the final tariff treatment with many trading partners still remained unsettled. This created a lot of uncertainties for exporters targeting the US market. Some of our downstream customers engaging in export business have been affected and become very cautious. Export markets of other developed countries remain difficult due to slow or no economic growth and a relatively high-interest rate environment. The domestic market of the PRC’s textile industry remained very competitive. Textile products have not benefited from the various PRC government subsidies, which were mainly geared to the stimulation of consumptions of electronic products and electrical appliances. In response to the market conditions, the Group closely monitored market trends and adjusted its product portfolio and production arrangements. The Group also enhanced its marketing effort by increasing interactions with its customers. The Group also adopted an aggressive pricing strategy for certain mass market products, in particular polyester yarn products in order to achieve sufficient sales volume to maintain the economy of scale.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the six months ended 30 June 2026 was approximately RMB460.9 million, representing a decrease of approximately RMB50.5 million, or 9.9%, 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 2026 (unaudited) <i>RMB'000</i>		Six months ended 30 June 2025 (unaudited) <i>RMB'000</i>	
Polyester yarns	134,339	29.1%	180,520	35.3%
Polyester-cotton blended yarns	174,207	37.8%	177,723	34.7%
Grey and deep grey mélange yarns	149,169	32.4%	153,218	30.0%
Others	3,231	0.7%	—	—
	<u>460,946</u>	<u>100.0%</u>	<u>511,461</u>	<u>100.0%</u>

The decrease in the revenue of the Group for the six months ended 30 June 2026 was mainly attributable to the decrease in sales volume of the yarn products from approximately 45,253 tonnes for the six months ended 30 June 2025 to approximately 38,864 tonnes for the six months ended 30 June 2026. The decrease in sales volume was mainly due to unfavourable market conditions and the adjustment of the product mix of the Group. The average selling price of yarn products of the Group increased to approximately RMB11,860 per tonne for the six months ended 30 June 2026 compared to approximately RMB11,302 per tonne for the six months ended 30 June 2025.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased from approximately RMB32.1 million for the six months ended 30 June 2025 to approximately RMB41.7 million for the six months ended 30 June 2026. The gross profit margin of the Group increased from approximately 6.3% for the six months ended 30 June 2025 to approximately 9.0% for the six months ended 30 June 2026. The increase in gross profit was mainly due to the increase in gross profit margin partly offset by decrease in sales volume. The decrease in sales volume was mainly due to poor market conditions. The increase in gross profit margin was mainly due to change in product mix and reduction in cost of production resulting from adjustments to production arrangement. The Group has adjusted its product portfolio in response to the market situation, reducing the sales and production of polyester yarn products and focusing more on grey and deep grey mélange yarn products. Grey and deep grey mélange yarn 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 RMB11.6 million for the six months ended 30 June 2025 to approximately RMB8.7 million for the six months ended 30 June 2026, representing a decrease of approximately RMB2.9 million or 25.4%. The decrease in other income was mainly due to the decrease in interest income and income from scrap sales.

Distribution and Selling Expenses

Distribution and selling expenses of the Group decreased from approximately RMB10.1 million for the six months ended 30 June 2025 to approximately RMB8.9 million for the six months ended 30 June 2026, representing a decrease of approximately RMB1.2 million or 12.0%. The decrease was mainly due to decrease in sales volume from approximately 45,253 tonnes for the six months ended 30 June 2025 to approximately 38,864 tonnes for the six months ended 30 June 2026. Distribution and selling expenses accounted for approximately 1.9% of total revenue of the Group for the six months ended 30 June 2026 (six months ended 30 June 2025: 2.0%).

Administrative Expenses

Administrative expenses of the Group remained almost unchanged at approximately RMB22.3 million for the six months ended 30 June 2026 as compared to approximately RMB21.8 million for the six months ended 30 June 2025. Administrative expenses accounted for approximately 4.8% of total revenue of the Group for the six months ended 30 June 2026 (six months ended 30 June 2025: 4.3%).

Finance Costs

Finance costs of the Group decreased from approximately RMB8.6 million for the six months ended 30 June 2025 to approximately RMB7.1 million for the six months ended 30 June 2026, representing a decrease of approximately RMB1.5 million or 18.1%. The decrease in finance costs was mainly due to a lower Loan Prime Rate (“**LPR**”) for the six months ended 30 June 2026 as compared with that for the six months ended 30 June 2025 and better terms secured by the Group upon refinancing of bank loans.

Income Tax Expense

The income tax expenses of the Group decreased from approximately RMB12.5 million for the six months ended 30 June 2025 to approximately RMB1.2 million for the six months ended 30 June 2026, representing a decrease of approximately RMB11.3 million or 90.4%. The tax expense for the six months ended 30 June 2025 was mainly due to non-recognition of certain tax losses and remeasurement of deferred tax liabilities following a change in tax rate applicable to a subsidiary of the Group in the PRC while there were no such adjustments for the six months ended 30 June 2026.

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

Profit attributable to owners of the Company was approximately RMB10.8 million for the six months ended 30 June 2026 as compared to a loss attributable to owners of the Company of approximately RMB10.1 million for the six months ended 30 June 2025. The profit attributable to owners of the Company was mainly due to the increase in gross margin and reduction in income tax expense. The net profit margin of the Group was approximately 2.3% for the six months ended 30 June 2026 as compared to a net loss margin of approximately 2.0% for the six months ended 30 June 2025.

Earnings/(Loss) per Share

The basic earnings per share of the Company was approximately RMB8.6 cents for the six months ended 30 June 2026 as compared to a basic loss per share of approximately RMB8.1 cents for the six months ended 30 June 2025, representing an increase of approximately RMB16.7 cents or 2.1 times. The increase in earnings per share of the Company was due to the increase in the net profit for the six months ended 30 June 2026.

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 2026, the Group had a net cash outflow from operating activities. The Group had cash and bank balances of approximately RMB203.1 million (31 December 2025: RMB293.7 million), short-term time deposits of approximately RMB42.5 million (31 December 2025: Nil), pledged bank deposits of approximately RMB27.9 million (31 December 2025: RMB25.6 million) at 30 June 2026. 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 2026, the Group's interest-bearing borrowings amounted to approximately RMB421.6 million (31 December 2025: RMB380.8 million), RMB421.6 million (100%) of which (31 December 2025: RMB370.8 million (97.4%)) 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 RMB368.6 million in aggregate as at 30 June 2026 (31 December 2025: RMB375.2 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 32.1% at 30 June 2026 (31 December 2025: 32.9%). Net current liabilities and net assets at 30 June 2026 were approximately RMB118.6 million (31 December 2025: RMB104.5 million) and RMB663.8 million (31 December 2025: RMB653.0 million), respectively.

Foreign Exchange Exposure

The Group has foreign currency cash and bank balances, other receivables, other borrowing and other payables (31 December 2025: 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 2026 were approximately RMB8.8 million (31 December 2025: RMB11.4 million) and RMB4.7 million (31 December 2025: RMB5.3 million), respectively. The Group had not used any financial instrument for hedging purposes during the six months ended 30 June 2026.

Contingent Liabilities

As at 30 June 2026, the Group did not have any material contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 30 June 2026, the Group had a total of 2,128 employees (31 December 2025: 2,190). Remuneration for employees, including the Directors, is determined in accordance with performance, professional experiences and the prevailing market practices. The Group's management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, discretionary bonus will also be granted to certain employees as awards in accordance with individual performance. The Company adopted a share option scheme on 25 June 2021, under which the Company may grant options to eligible persons including Directors and employees. No share option has been granted pursuant to the scheme since its adoption.

Significant Investments and Material Acquisitions and Disposal of Subsidiaries

As disclosed in the Company's announcement dated 5 January 2026, the Group entered into a contract to dispose of certain land and property at a consideration of RMB45.0 million.

As disclosed in the Company's announcement dated 3 March 2026, the Group entered into a contract to procure certain production equipment at a consideration of USD5.05 million in order to improve production efficiency and enhance energy savings.

Save as disclosed above, during the six months ended 30 June 2026, the Group did not have any significant investments or acquisitions or disposal of subsidiaries.

PROSPECTS

During the six months ended 30 June 2026, the textile industry continued to face multiple challenges. The Russia-Ukraine Conflict continues to drag on with no signs of easing. The US-Iran Conflict broke out in February, causing blockage of the Strait of Hormuz. Despite signing a Memorandum of Understanding (“**MOU**”) for a 60 days ceasefire in June, military conflicts restarted in July as both sides blamed the other side for non-compliance. The change of US and Iran reaching a ceasefire arrangement seems unlikely in the near future.

As energy and food prices are affected by the geo-political conflict, inflationary pressure has increased. The US Federal Reserve did not reduce the federal funds rate in the first seven months of 2026 and maintained the target range at 3.50% to 3.75% at the July meeting. The absence of rate cuts provided no relief for the relatively high-interest rate environment which continues to suppress global consumption and investment demand. As geo-political conflict continues, uncertainty in rate cuts by the Federal Reserve remains.

The Reciprocal Tariff introduced by the Trump administration in 2025 was ultimately ruled illegal by the Supreme Court in February 2026 and forced to be terminated. However, the Trump administration swiftly continued the tariff using the Trade Act of 1974 as the legal backing, resulting in unresolved final tariff treatment with many trading partners and exacerbating economic and trade uncertainties.

Continuing geopolitical conflicts, a complex international trade environment disrupted by the tariff in the US, ongoing global supply chain adjustments, and consistently high domestic production costs have contributed to the weakness in the export and domestic markets for the textile products of the PRC.

Looking ahead into the second half of 2026, with the continuous implementation of stimulating policies by the PRC government, it is expected that the PRC economy will maintain its resilience and continue to grow, which may bring some positive impetus to the domestic textile market. However, the global economic outlook remains fragile, with trade protectionism, geopolitical tensions and a relatively high-interest rate environment, the export market is expected to remain challenging. The domestic market of the PRC’s textile industry is likely to remain highly competitive, with weak market demand continuing to exert pressure on product prices and margins. International and domestic cotton prices are expected to remain weak amid economic uncertainties, while international crude oil prices may continue to fluctuate under the influence of geopolitical factors and OPEC+ production policies, bringing uncertainties to the cost of raw materials for textile products.

The Group considers the future of the textile market to be challenging. The Group will continue to closely monitor the market trends, including changes in raw material prices, trade policies and market demand, and take necessary measures to adjust its inventory level, production capacities, product mix and pricing strategy accordingly. The Group is introducing vortex spinning production facilities to replace outdated and inefficient facilities. The Group will continue to upgrade the production facilities with caution. The Group remains committed to emphasizing industrial safety and improving efficiency in its production process through increased automation, replacing outdated and labour-intensive production lines with highly automated and energy efficient facilities. Apart from adjustment to its product portfolio, the Group continues to enhance its marketing efforts by increasing interactions with customers. By leveraging the benefits of higher level of automation, optimized product mix and economies of scale, the Group believes it is well-positioned to cope with market challenges and capitalize on any turnaround in the textile industry.

DIVIDEND

The Board resolved not to declare the payment of an interim dividend in respect of the six months ended 30 June 2026.

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 2026.

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, during the six months ended 30 June 2026, 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 C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of conduct governing the Directors’ securities transactions. The Company confirms that, having made specific enquiry of all the Directors, each of them has complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2026.

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 2026.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chinaweavingmaterials.com. The interim report of the Company for the six months ended 30 June 2026 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

ACKNOWLEDGEMENT

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

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

Hong Kong, 27 August 2026

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; Mr. Wong Tak Shing, Mr. Xu Yiliang and Ms. Chow Sin Yee Caroline as the independent non-executive Directors.