CHINA WEAVING MATERIALS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3778

INTERIM REPORT

2015

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Zheng Hong (Chairman)
Mr. Zheng Yongxiang

Non-Executive Director
Mr. Sze Irons, JP

Independent Non-Executive Directors
Mr. Nie Jianxin
Mr. Ng Wing Ka
Ms. Zhang Baixiang

BOARD COMMITTEES

Audit committee
Ms. Zhang Baixiang (Chairman)
Mr. Nie Jianxin
Mr. Ng Wing Ka

Remuneration committee
Mr. Ng Wing Ka (Chairman)
Mr. Nie Jianxin
Ms. Zhang Baixiang
Mr. Zheng Hong

Nomination committee
Mr. Zheng Hong (Chairman)
Mr. Nie Jianxin
Mr. Ng Wing Ka
Ms. Zhang Baixiang

COMPANY SECRETARY

Mr. Cheung Chi Fai Frank

AUTHORISED REPRESENTATIVES

Mr. Zheng Hong
Mr. Cheung Chi Fai Frank

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

Fengtian Development Zone
Fengxin County
Jiangxi Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 806, 8/F, AXA Centre
151 Gloucester Road
Wanchai, Hong Kong

Corporate Information

LEGAL ADVISERS

As to Hong Kong law:
Orrick, Herrington & Sutcliffe

As to PRC law:
Jiangxi Xinyuan Law Offices

AUDITOR

RSM Nelson Wheeler

INVESTORS RELATIONSHIP CONSULTANT

Trinity Communications Group Limited (www.tri-hk.com)

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of Communications Limited
(Nanchang Donghu Sub-branch)
China CITIC Bank
(Nanchang Branch)
China Construction Bank Corporation
(Fengxin Sub-branch)
China Merchants Bank Company Limited
(Changbei Sub-branch)
Industrial and Commercial Bank of China Limited
(Fengxin Sub-branch)
Jiangxi Rural Credit Union
(Fengxin Sub-branch)
Nanyang Commercial Bank (China) Limited
(Shenzhen Branch)
Shanghai Pudong Development Bank Co. Ltd.
(Nanchang Branch)
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

COMPANY WEBSITE

www.chinaweavingmaterials.com

STOCK CODE

3778

Management Discussion and Analysis

MARKET OVERVIEW

In the first half of 2015, the international economic conditions remained challenging. There were signs of economic recovery in the United States (the "**US**") but the economic outlook for the rest of the developed countries, including European countries, remained less auspicious. Affected by sluggish overseas demand, domestic over capacity and tight liquidity in the domestic capital market, the growth of the economy of the People's Republic of China (the "**PRC**") continued to slow down. The gross domestic product ("**GDP**") growth rate of the PRC decreased from a year-on-year ("**YoY**") rate of 7.4% in 2014 to 7.0% in the first half of 2015.

Following the significant drop in cotton and synthetic fibres prices resulting from a shift in the PRC government's national cotton temporary reserve policy and plummeting crude oil prices respectively in 2014, the textile industry in the PRC experienced a relatively stable market environment in terms of raw materials prices in the first half of 2015. Coupled with relatively favourable market conditions in general, there has been moderate relief in the hardship faced by companies in the textile industry.

BUSINESS REVIEW

As disclosed in the announcements of China Weaving Materials Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 30 September 2014 and 7 January 2015, the Group had entered into an agreement to acquire the entire interest of Jiangxi Huachun Color Spinning Technology Development Co., Ltd. ("**Huachun**") and completed the acquisition respectively. The operating results of Huachun have been consolidated into the Group's results since the completion of the acquisition in January 2015. The sales, production and gross profits of the Group increased substantially as a result of the consolidation.

The sales volume of the Group increased by 98.7% from approximately 27,140 tonnes for the six months ended 30 June 2014 to approximately 53,934 tonnes for the six months ended 30 June 2015. The production volume of the Group increased by 86.4% from approximately 28,191 tonnes for the six months ended 30 June 2014 to approximately 52,552 tonnes for the six months ended 30 June 2015. The revenue of the Group increased by 62.4% to approximately RMB627.4 million for the six months ended 30 June 2015 as compared to RMB386.3 million for the six months ended 30 June 2014. The gross profit and the profit attributable to the owners of the Company for the six months ended 30 June 2015 were approximately RMB56.9 million and approximately RMB12.0 million, respectively.

As disclosed in the Company's announcements dated 2 January 2015 and 5 January 2015, the Group suffered from a fire accident on 31 December 2014 which caused damage to certain inventories, plant and equipment and part of the building premises including the warehouse and Workshop One situated in Phase III of the production bases ("**Phase III**") of the Group located at Fengxin County, Jiangxi province, PRC. There were no casualties but the production at Phase III was suspended. Phase III is situated at a distant location from the rest of the production bases of the Group and has a production capacity of 50,000 spindles, representing approximately 13% of the Group's total capacity of 380,000 spindles. Restoration and repair works and the replacement of damaged equipment were carried out soon after the accident. The production line was relocated to Workshop Two of Phase III which was not affected by the fire. Production capacity of approximately 30,000 spindles has been resumed as of the date of this report and it is expected that the rest of the production capacity will gradually resume operation in the fourth quarter of 2015 in Workshop Two.

Management Discussion and Analysis

The newly installed open-end spun production facilities, which are also located in Phase III, were put under trial production in the fourth quarter of 2014. The production capacity of these newly installed production facilities is 1,600 heads (equivalent to approximately 20,000 spindles). These facilities suffered no damage at all in the fire but the trial production was also suspended as the high voltage transformer system for the entire Phase III facility was damaged in the fire and required replacement. The production facilities for the open-end spun yarns resumed operation in May 2015. However, in view of the severe competition in the open-end spun yarns market, the Company has converted the facilities into production of viscose yarns, of which margins are expected to be higher.

In December 2014, the Group established a subsidiary company, Jiangxi Xinyuan Special Fibres Company Limited ("**Xinyuan**") in the Industrial Development Zone of Fengxin County of Jiangxi Province. The total registered capital of Xinyuan is RMB70 million, of which the Group holds 51%. Xinyuan will be engaged in the manufacture and trading of polyester staple fibres which is one of the basic raw materials of the Group for the production of polyester yarns. Xinyuan marks the Group's first step into upward vertical integration. The construction of the workshop and other basic infrastructure of Xinyuan commenced in March 2015. The other 49% equity interest in Xinyuan is owned by two independent third parties. Please refer to note 38 of the notes to the consolidated financial statements in the 2014 annual report of the Company.

Also, as disclosed in the Company's announcement dated 20 November 2014, the Company had entered into an agreement to place 126,000,000 new shares (the "**Placing Shares**") at a placing price ("**Placing Price**") of HK$0.80 per share. The Placing Price represented a discount of approximately 8.05% to the closing price of HK$0.87 per share as quoted on the Stock Exchange of Hong Kong Limited ("the **Stock Exchange**") on 20 November 2014, being the date of the placing agreement. The placement was completed in November 2014 and the Placing Shares were issued pursuant to the general mandate granted to the directors of the Company (the "**Directors**") at the annual general meeting of the Company held on 12 May 2014 and rank pari passu with other shares of the Company ("**Shares**") in all respects. The net Placing Price, after deduction of placing commission and all other fees and expenses, was approximately HK$0.7908 per Placing Share. The net proceeds of the placement amounted to approximately HK$99.6 million and had been applied towards the partial settlement of the consideration for the acquisition of Huachun.

FINANCIAL REVIEW

Turnover

Turnover of the Group for the six months ended 30 June 2015 was approximately RMB627.4 million, representing an increase of approximately RMB241.1 million, or 62.4%, as compared to the corresponding period last year. Sales of polyester yarn, grey melange yarn, polyester-cotton blended yarn and cotton yarn accounted for approximately 40.0% (six months ended 30 June 2014: 46.2%), 15.0% (six months ended 30 June 2014: nil), 37.7% (six months ended 2014: 46.1%) and 7.3% (six months ended 30 June 2014: 7.7%) of total sales of the Group for the six months ended 30 June 2015, respectively. The increase in the turnover of the Group for the six months ended 30 June 2015 was attributable to the increase in sales volume from approximately 27,140 tonnes for the six months ended 30 June 2014 to approximately 53,934 tonnes for the six months ended 30 June 2015 despite the decrease in average unit selling prices of the Group's yarn products. The overall average selling price of yarn products of the Group decreased by approximately 17.2% from approximately RMB14,188 per tonne for the six months ended 30 June 2014 to approximately RMB11,746 per tonne for the six months ended 30 June 2015.

The increase in sales and production volume was mainly due to the consolidation of the results of Huachun which accounted for 24,671 tonnes and 24,518 tonnes respectively. The sales of Huachun accounted for approximately RMB262.8 million for the six months ended 30 June 2015. The lower average selling prices of yarn products were mainly due to lower costs of raw materials and change in product mix of the Group. Due to the consolidation of Huachun into the Group, grey melange yarns products were introduced into the Group's product portfolio. Grey melange yarns products generally have lower selling prices than the existing products of the Group as grey melange yarns products enjoy lower costs of raw materials.

Management Discussion and Analysis

The selling prices of yarn products have a positive correlation with that of raw materials, namely, polyester staple fibres and raw cotton. The Group sets the prices of its yarn products based on a variety of factors, including raw materials prices, production costs, market conditions, our inventory level and the quality of the yarn products required by our customers. As polyester staple fibres are crude oil-based commodities, the prices of polyester yarns and polyester-cotton blended yarns are indirectly affected by the fluctuations in crude oil prices. The Group adjusts the selling prices of its yarn products from time to time considering the fluctuation in its raw materials costs. In addition, the Group also monitors the movement of international and domestic raw cotton prices and members from the management, sales department and procurement department meet on a frequent basis to review the selling prices of the Group's yarn products in order to respond to the changes of the various factors affecting the selling prices. The average unit purchase prices of polyester staple fibres and raw cotton were lower in the first half of 2015 than in 2014 and the Group lowered the prices of its various yarn products accordingly during the first half of 2015.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased from approximately RMB20.0 million for the six months ended 30 June 2014 to approximately RMB56.9 million for the six months ended 30 June 2015. The gross profit margin of the Group increased from approximately 5.2% for the six months ended 30 June 2014 to approximately 9.1% for the six months ended 30 June 2015. The increase in gross profit was mainly due to the contribution of approximately RMB25.8 million arising from the consolidation of the results of Huachun. Also, the rate of decrease in the selling prices of yarn products has been lower than that of the raw materials due to improved market conditions in general.

Other Income

Other income of the Group increased from approximately RMB9.1 million for the six months ended 30 June 2014 to approximately RMB20.9 million for the six months ended 30 June 2015, representing an increase of approximately RMB11.8 million or 130.1%. The increase in other income was mainly due to the increase in government grants, including government grants of approximately RMB3.6 million arising from the consolidation of the results of Huachun and the recording of insurance compensation for the fire loss of approximately RMB6.9 million.

Distribution and Selling Expenses

Distribution and selling expenses of the Group increased from approximately RMB5.6 million for the six months ended 30 June 2014 to approximately RMB11.2 million for the six months ended 30 June 2015, representing an increase of approximately RMB5.6 million, or 100.6%. Distribution and selling expenses as a percentage of turnover of the Group was approximately 1.8% for the six months ended 30 June 2015 (six months ended 30 June 2014: 1.5%). The increase in the Group's distribution and selling expenses was mainly due to the increase in sales volume from approximately 27,140 tonnes for the six months ended 30 June 2014 to approximately 53,934 tonnes for the six months ended 30 June 2015. The increase in sales volume was mainly due to the consolidation of the results of Huachun which accounted for 24,671 tonnes.

Administrative Expenses

Administrative expenses of the Group increased from approximately RMB13.5 million for the six months ended 30 June 2014 to approximately RMB22.2 million for the six months ended 30 June 2015, representing an increase of 63.8% or approximately RMB8.7 million. Administrative expenses as a percentage of turnover of the Group was approximately 3.5% for the six months ended 30 June 2015 (six months ended 30 June 2014: 3.5%). The increase in the Group's administrative expenses was mainly due to the consolidation of the administrative expenses of Huachun of approximately RMB7.9 million.

Finance Costs

Finance costs of the Group increased from RMB7.8 million for the six months ended 30 June 2014 to approximately RMB27.0 million for the six months ended 30 June 2015, representing an increase of 244.5% or approximately RMB19.2 million. The increase in the Group's finance costs was mainly due to: (i) the consolidation of the finance costs of Huachun of approximately RMB15.0 million and (ii) the amortisation of interest expense of approximately RMB3.4 million on the outstanding consideration payable to the vendors of Huachun.

Income Tax Expense

The Group's effective income tax rate for the six months ended 30 June 2015 was approximately 7.1%, as compared to 72.1% for the corresponding period in 2014. The decrease in effective income tax rate of the Group was mainly due to the carrying forward of the effect of tax loss arising from the fire loss suffered in the end of 2014.

Profit Attributable to Owners of the Company and Net Profit Margin

Profit attributable to owners of the Company for the six months ended 30 June 2015 was approximately RMB12.0 million, representing an increase of approximately RMB11.4 million, or 19.3 times, as compared to that for the six months ended 30 June 2014. The net profit margin of the Group for the six months ended 30 June 2015 was approximately 1.9%, representing an increase of 1.7 percentage points as compared to approximately 0.2% for the six months ended 30 June 2014. The increases in the Group's net profit and net profit margin were mainly due to the increase in gross profit and other income, partially offset by the increase in distribution and selling expenses, administrative expenses and finance costs.

Earnings per Share

The basic earnings per share of the Company for the six months ended 30 June 2015 was approximately RMB0.96 cent, representing an increase of approximately 18.2 times as compared to approximately RMB0.05 cent (as restated) for the six months ended 30 June 2014. The increase in basic earnings per share of the Company was due to the increase in net profit for the six months ended 30 June 2015.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in the PRC and Hong Kong. During the six months ended 30 June 2015, net cash inflow from operating activities of the Group amounted to approximately RMB53.2 million (six months ended 30 June 2014: outflow RMB18.6 million). The Group had time deposits of approximately RMB32.0 million (31 December 2014: RMB76.1 million), cash and bank balances of approximately RMB105.3 million (31 December 2014: RMB90.6 million) and pledged bank deposits of approximately RMB33.8 million (31 December 2014: RMB6.7 million) as at 30 June 2015. The Group's cash and bank balances were mainly held in Hong Kong Dollars and Renminbi.

Capital Structure and Pledge on Assets

The Group's interest-bearing borrowings were made in Renminbi and Hong Kong dollars. As at 30 June 2015, the Group's interest-bearing borrowings amounted to approximately RMB703.1 million (31 December 2014: RMB295.5 million), of which RMB423.0 million (60.2%) (31 December 2014: RMB280.5 million (95.0%)) was repayable within one year. The Group's banking facilities and bond payables were secured by its land use rights, properties, plant and equipment and pledged bank deposits with a carrying value of approximately RMB845.9 million in aggregate (31 December 2014: RMB256.7 million). The increase in the Group's interest-bearing borrowings was primarily due to the consolidation of the bank borrowings and bond payables of Huachun, details of which are disclosed in note 21 of the notes to the condensed consolidated financial statements.

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank borrowings, bond payable, finance leases payables and bills payable to total assets, was approximately 48.9% as at 30 June 2015 (31 December 2014: 37.1%). Net current liabilities and net assets at 30 June 2015 was approximately RMB384.7 million (31 December 2014: RMB120.4 million) and approximately RMB462.0 million (31 December 2014: RMB432.9 million), respectively. The increase in the Group's gearing ratio was mainly due to the consolidation of Huachun, the gearing ratio of which was higher than that of the Group before the acquisition. The increase in the net current liabilities of the Group was mainly due to the consolidation of the bank borrowings and bond payables of Huachun. Details of assets and liabilities of Huachun being acquired are disclosed in note 21 of the notes to the condensed consolidated financial statements.

Foreign Exchange Exposure

As the Group conducts business transactions principally in Renminbi, the management considered the exchange rate risk at the Group's operational level is not significant. Accordingly, the Group had not used any financial instruments for hedging purposes during the six months ended 30 June 2015. The Group has foreign currency cash and bank balances, pledged bank deposits, bills receivable, other receivables, bank borrowings, bills payable, financial liabilities at fair value through profit or loss, and other payables, which mainly expose the Group to risks in Hong Kong Dollars and US Dollars. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 30 June 2015 were approximately RMB15.4 million (31 December 2014: RMB82.4 million) and RMB10.9 million (31 December 2014: RMB15.4 million) respectively.

Contingent Liabilities

As at 30 June 2015, the Group did not have any contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 30 June 2015, the Group had a total of 3,153 employees (31 December 2014: 1,705). The increase in the number of employees was mainly due to the acquisition of Huachun and the increase in the Group's headcount by the number of employees employed by Huachun. 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 has adopted a share option scheme on 3 December 2011, 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 announcements dated 30 September 2014 and 7 January 2015, the Group had entered into an agreement to acquire the entire interest of Huachun and completed the acquisition, respectively.

Save as disclosed above, during the six months ended 30 June 2015, the Group did not have any significant investments or acquisitions or sales of subsidiaries.

Management Discussion and Analysis

PROSPECTS

The Group has completed the acquisition of Huachun in January 2015. The integration of Huachun into the Group immediately increased the production capacity of the Group by 300,000 spindles and gave the Group immediate access to the grey mélange yarns market. The integration is beginning to achieve synergy in terms of sales, material procurement and production. The relocation of the production facilities affected by the fire accident is substantially completed and part of the production has resumed. Overall production of the Group is expected to be back to normal in the fourth quarter of 2015.

In 2015, the textile industry in the PRC is expected to operate in a relatively stable environment compared to that of 2014 given the stabilization of the prices of raw materials and more stable state policies.

Looking forward, sluggish overseas demand and a softening domestic economy will continue to pose challenges to the textile industry in the PRC. However, taking into account the benefits from the enlarged product portfolio and increased economies of scale as a result of the successful acquisition of Huachun, the Group is confident about its 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.

Corporate Governance and Other Information

INTERIM DIVIDEND

The board (the "**Board**") of Directors does not recommend an interim dividend in respect of the six months ended 30 June 2015.

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 2015.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, the interest or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which were notified to the Company and the Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), are set out below:

Long positions in ordinary shares of the Company

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Interest in the Company
Mr. Zheng Hong	Interest of a controlled corporation	514,305,000[(1)] (long position)	41.07%
Mr. Sze Irons, JP	Interest of a controlled corporation	135,135,000[(2)] (long position)	10.79%
Mr. Zheng Yongxiang	Beneficial owner	23,201,200 (long position)	1.85%

Notes:

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

(2) These Shares are held by Flourish Talent Group Limited ("**Flourish Talent**"), the entire issued share capital of which is owned by Mr. Sze Irons, JP.

Save as disclosed above, as at the date of this report, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Pursuant to a resolution of our Shareholders passed on 3 December 2011, the Company has adopted a share option scheme (the "Scheme"). The purpose of the Scheme is to recognise and acknowledge the contributions the eligible participants had or may have made to the Group. The Scheme became effective on 22 December 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption of the Scheme. The remaining life of the Scheme is approximately 6.3 years as at the date of this report. The terms of the Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

Eligible participants of the Scheme include any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors (including non-executive director and independent non-executive directors) of the Company or any of its subsidiaries; and any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries.

The total number of Shares available for issue under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong and the conditional placing by the international underwriters of the international placing shares, being 100,000,000 Shares, representing approximately 7.98% of the issued share capital of the Company as at the date of this report. Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to eligible participants specifically identified by the Board.

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

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

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

The offer of a grant of share options may be accepted by a participant not later than 30 days after the date of offer, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

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

i. the official closing price of the Shares as stated in the daily quotation sheets on the date of the offer of the grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

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

iii. the nominal value of a Share.

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

Subject to the earlier termination of the Scheme in accordance with the Scheme rules, the Scheme will remain effective until 22 December 2021.

No option has been granted under the Scheme as at the date of this report.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2015, so far as is known to any Director or chief executive of the Company, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept under Section 336 of the SFO are as follows:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company
Popular Trend[1]	Beneficial owner	514,305,000 Shares (long position)	41.07%
Flourish Talent[2]	Beneficial owner	135,135,000 Shares (long position)	10.79%
Da Yu Investments[3]	Beneficial owner	67,567,500 Shares (long position)	5.40%
Ms. Xie Meijing[3]	Interest of a controlled corporation	67,567,500 Shares (long position)	5.40%

Notes:

1. Popular Trend is wholly-owned by Mr. Zheng Hong.
2. Flourish Talent is wholly-owned by Mr. Sze Irons, JP.
3. Da Yu Investments Limited ("**Da Yu Investments**") is wholly-owned by Ms. Xie Meijing ("**Ms. Xie**"). For the purpose of Part XV of the SFO, Ms. Xie is deemed to be interested in the Shares held by Da Yu Investments.

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, during the six months ended 30 June 2015, the Company has complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). In respect of code provision A6.7 of the CG Code, one independent non-executive Director was unable to attend the annual general meeting of the Company held on 28 May 2015 due to business travelling.

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 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 2015.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL STATEMENTS

The audit committee of the Board has reviewed together with the management the accounting principles and policies adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015 have also been reviewed by RSM Nelson Wheeler, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF
CHINA WEAVING MATERIALS HOLDINGS LIMITED
中國織材控股有限公司
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Weaving Materials Holdings Limited (the "Company") and its subsidiaries set out on pages 15 to 36, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

26 August 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
Revenue	6	**627,355**	386,263
Cost of sales		**(570,452)**	(366,227)
Gross profit		**56,903**	20,036
Other income	7	**20,873**	9,071
Other gains and losses		**712**	–
Distribution and selling expenses		**(11,237)**	(5,603)
Administrative expenses		**(22,187)**	(13,547)
Loss from fire	12(b)	**(5,219)**	–
Finance costs		**(26,975)**	(7,830)
Profit before tax		**12,870**	2,127
Income tax expense	8	**(918)**	(1,534)
Profit and total comprehensive income for the period	9	**11,952**	593
Profit and total comprehensive income for the period attributable to			
– Owners of the Company		**12,025**	593
– Non-controlling interests		**(73)**	–
		11,952	593
			(Restated)
Earnings per share (in RMB cents)	11		
– Basic		**0.96**	0.05
– Diluted		**N/A**	N/A

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	**As at 30 June 2015 (unaudited) RMB'000**	As at 31 December 2014 (audited) RMB'000
Non-current assets			
Property, plant and equipment	12	**1,113,313**	539,388
Prepaid lease payments		**45,788**	34,111
Goodwill		**7,924**	–
Other intangible assets		**142**	–
Deposits for acquisition of property, plant and equipment		**20,413**	963
Deferred tax assets		**4,824**	2,214
		1,192,404	576,676
Current assets			
Inventories	13	**120,559**	80,360
Trade and other receivables	14	**34,848**	17,677
Bills receivable	15	**36,618**	10,306
Prepaid lease payments		**1,093**	776
Pledged bank deposits		**33,764**	6,704
Time deposits		**32,000**	76,052
Cash and bank balances		**105,255**	90,637
Current tax assets		**11,225**	–
		375,362	282,512
Current liabilities			
Trade and other payables	16	**267,932**	91,360
Bills payable	17	**63,452**	25,356
Finance lease payable		**2,931**	–
Financial liabilities at fair value through profit or loss		**160**	–
Current tax liabilities		**5,478**	5,635
Bank borrowings	18	**420,100**	280,535
		760,053	402,886
Net current liabilities		**(384,691)**	(120,374)
Total assets less current liabilities		**807,713**	456,302

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	**As at 30 June 2015 (unaudited) RMB'000**	As at 31 December 2014 (audited) RMB'000
Non-current liabilities			
Consideration payable		**43,023**	–
Deferred income		**6,040**	6,115
Bank borrowings	18	**81,600**	15,000
Bond payables	19	**198,443**	–
Deferred tax liabilities		**16,617**	2,299
		345,723	23,414
NET ASSETS		**461,990**	432,888
Capital and reserves			
Share capital	20	**101,840**	92,875
Reserves		**343,073**	340,013
Equity attributable to owners of the Company		**444,913**	432,888
Non-controlling interests		**17,077**	–
TOTAL EQUITY		**461,990**	432,888

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Special reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At l January 2014 (audited)	82,899	14,017	65,058	148,739	102,048	412,761	–	412,761
Profit and total comprehensive income for the period	–	–	–	–	593	593	–	593
Dividends recognised as distribution (Note 10)	–	–	–	–	(8,021)	(8,021)	–	(8,021)
At 30 June 2014 (unaudited)	82,899	14,017	65,058	148,739	94,620	405,333	–	405,333
At l January 2015 (audited)	**92,875**	**83,017**	**65,058**	**148,739**	**43,199**	**432,888**	**–**	**432,888**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**12,025**	**12,025**	**(73)**	**11,952**
Issue of bonus shares (Note 20)	**8,965**	**(8,965)**	**–**	**–**	**–**	**–**	**–**	**–**
Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**17,150**	**17,150**
At 30 June 2015 (unaudited)	**101,840**	**74,052**	**65,058**	**148,739**	**55,224**	**444,913**	**17,077**	**461,990**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	RMB'000
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**53,222**	(18,649)
CASH FLOW FROM INVESTING ACTIVITIES		
Placement of pledged bank deposits	**(34,634)**	(19,261)
Withdrawal of pledged bank deposits	**39,176**	19,160
Interest received	**753**	356
Acquisition of a subsidiary	**(98,430)**	–
Purchase of property, plant and equipment	**(12,083)**	(40,080)
Deposits for acquisition of property, plant and equipment	**(19,086)**	(862)
NET CASH USED IN INVESTING ACTIVITIES	**(124,304)**	(40,687)
CASH FLOW FROM FINANCING ACTIVITIES		
Capital contribution from non-controlling interests	**17,150**	–
Proceeds from bank borrowings	**317,700**	188,743
Repayment of bank borrowings	**(287,285)**	(118,156)
Repayment of finance lease payables	**(5,917)**	–
Dividends paid	**–**	(7,776)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**41,648**	62,811
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(29,434)**	3,475
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**166,689**	58,203
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**137,255**	61,678
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**105,255**	61,678
Time deposit with original maturity less than three months	**32,000**	–
	137,255	61,678

1. GENERAL

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

The Company together with its subsidiaries (collectivity referred to as the "Group") are principally engaged in the business of manufacturing and trading of polyester yarns, polyester-cotton blended yarns, grey and deep grey mélange yarns, cotton yarns and cotton.

These condensed consolidated financial statements for the six months ended 30 June 2015 are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and should be read in conjunction with the 2014 annual financial statements.

As of 30 June 2015, the Group had net current liabilities of approximately RMB384,691,000 (31 December 2014: RMB120,374,000). Up to the date these condensed consolidated financial statements were authorised for issue, the relevant banks agreed to renew bank borrowings amounting to RMB316,100,000 currently included in current liabilities as at 30 June 2015. Taken into account the availability of these banking facilities and the Group's expected cash flows generated from operations, the management of the Group is satisfied 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 condensed consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared on historical cost basis and certain financial liabilities are carried at their fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, all the new and revised International Financial Reporting Standards ('IFRSs") issued by IASB that are mandatorily effective for the current interim period.

The application of these new and revised IFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

4. FAIR VALUE MEASUREMENTS

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

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

Level 1 inputs:	quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2 inputs:	inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 inputs:	unobservable inputs for the asset or liability.

4. FAIR VALUE MEASUREMENTS (Continued)

Disclosures of level in fair value hierarchy for financial instruments:

	Fair value measurements using: Level 1 (unaudited) RMB'000
As at 30 June 2015	
Recurring fair value measurements:	
Financial liabilities at fair value through profit or loss	
Derivatives – commodities and foreign exchange contracts	**160**

Major terms of commodities and foreign exchange contracts as at 30 June 2015 are as follows:

Types of contracts	Long/short position	Notional amount	Maturity
Foreign exchange contracts	Long	US$479,140	14 September 2015
Foreign exchange contracts	Long	US$479,060	14 December 2015
Commodities contracts	Long	RMB3,316,750	14 September 2015
Commodities contracts	Short	US$199,065	8 December 2015

The fair value of commodities and foreign exchange contracts are measured using quoted market price.

5. 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, that are regularly reviewed by the chief operating decision-maker (the "CODM") to allocate resources to the segments and to assess their performance.

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.

Other than revenue analysis by major products as disclosed in note 6, no operating results and other discrete financial information relating to the respective products are prepared regularly for internal reporting to the CODM for resources allocation and performance assessment. The executive directors review the profit or loss after tax from the management accounts of Jinyuan Textile Co., Ltd. Jiangxi ("Jiangxi Jinyuan"), 江西華春色紡科技發展有限公司 (for indentification purpose, Jiangxi Huachun Color Spinning Technology Development Co., Ltd. ("Huachun")), 江西鑫源特種纖維有限公司 (for identification purpose, Jiangxi Xinyuan Special Fibres Company Limited ("Xinyuan")) and Treasure Resources Corporation Limited ("Treasure Resources") for the purposes of resources allocation and performance assessment for the six months ended 30 June 2015 (six months ended 30 June 2014: Jiangxi Jinyuan and Treasure Resources). The operations of Jiangxi Jinyuan, Huachun, Xinyuan and Treasure Resources (six months ended 30 June 2014: Jiangxi Jinyuan and Treasure Resources) represent a single operating and reportable segment of the Group under IFRS 8 "Operating Segments".

6. REVENUE

The following is an analysis of the Group's revenue from its major products during the period:

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Sales of polyester yarns	**250,930**	178,402
Sales of polyester-cotton blended yarns	**236,248**	177,887
Sales of cotton yarns	**45,842**	29,974
Sales of grey and deep grey mélange yarns	**94,335**	–
	627,355	386,263

7. OTHER INCOME

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Interest income on bank deposits	**753**	356
Government grants (Note)	**9,320**	6,407
Income from scrap sales	**2,990**	1,971
Fire insurance claim income	**6,932**	–
Others	**878**	337
	20,873	9,071

Note: For the six months ended 30 June 2015, government grants mainly represented subsidies of approximately RMB9,245,000 (six months ended 30 June 2014: RMB6,332,000) received by the Group from the Ministry of Finance of Fengxin County, Yichun City, Jiangxi Province 江西省宜春市奉新工業園區財政所 for rewarding the Group's past contribution to Fengxin County, Jiangxi Province. The grants were accounted for as financial support with no future related costs expected to be incurred nor related to any assets. As such, an amount of approximately RMB9,245,000 (six months ended 30 June 2014: RMB6,332,000) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income when the grants were received. The remaining approximately RMB75,000 (six months ended 30 June 2014: RMB75,000) were related to government grants to the Group on purchase of land use rights which were amortised on a straight-line basis over the life of the corresponding land use rights.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current tax:		
PRC enterprise income tax ("EIT")	**–**	1,156
Under-provision in prior year:		
PRC EIT	**68**	132
Deferred tax	**850**	246
	918	1,534

8. INCOME TAX EXPENSE (Continued)

No provision for Hong Kong Profits Tax for the six months ended 30 June 2015 and 2014 have been made as there is no assessable profit subject to Hong Kong Profits Tax.

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

Jiangxi Jinyuan, a subsidiary, has been recognised as a state-encouraged high-new technology enterprise starting from 2014, and the status is valid for a period of three years. Jiangxi Jinyuan is thus entitled to a preferential tax rate of 15% in 2014, 2015 and 2016, subject to annual review by the relevant tax authority. As such, the EIT rate for Jiangxi Jinyuan is a reduced tax rate of 15% for the six months ended 30 June 2015 and 2014.

Huachun, a subsidiary, has been recognised as a state-encouraged high-new technology enterprise starting from 2013, and the status is valid for a period of three years. Huachun is thus entitled to a preferential tax rate of 15% in 2013, 2014 and 2015, subject to annual review by the relevant tax authority. As such, the EIT rate for Huachun is a reduced tax rate of 15% for the six months ended 30 June 2015 and 2014.

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

9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**24,439**	13,381
Amortisation of prepaid lease payments	**545**	399
Amortisation of intangible assets	**25**	–
Total depreciation and amortisation	**25,009**	13,780
Cost of inventories recognised as an expense	**570,452**	366,227
Directors' emoluments	**1,213**	1,216

10. DIVIDENDS

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Final dividend declared for 2013 – HK1 cent per share	**–**	8,021

No dividends were proposed during the reporting period and the Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2015.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company and the weighted average number of ordinary shares of 1,252,350,000 (six months ended 30 June 2014: 1,113,750,000) in issue during the period, as adjusted to reflect the bonus share issued during the period.

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**12,025**	593
Number of shares	**'000**	'000 (restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	**1,252,350**	1,113,750

No diluted earnings per share has been presented as there were no potential dilutive shares outstanding for the six months ended 30 June 2015 and 2014.

12. PROPERTY, PLANT AND EQUIPMENT

(a) Acquisition

During the six months ended 30 June 2015, the Group acquired property, plant and equipment of approximately RMB12,083,000 (six months ended 30 June 2014: RMB24,132,000). These acquisitions are mainly in relation to its manufacturing plant in the PRC.

During the six months ended 30 June 2015, the Group acquired property, plant and equipment of approximately RMB590,700,000 (six months ended 30 June 2014: Nil) through the acquisition of Huachun (note 21).

(b) Loss from fire

During the year ended 31 December 2014, a loss on property, plant and equipment of approximately RMB38,515,000 was recognised due to a fire at the warehouse of the completed Phase III of the production bases of Jiangxi Jinyuan, causing damage primarily to plant and machinery and part of the building premises. During the six months ended 30 June 2015, the Group has further written off certain damaged part of the building premises of approximately RMB5,219,000 by reference to the safety inspection and assessment of the building structure after the fire.

(c) Capitalisation of borrowing costs

During the six months ended 30 June 2015, borrowing costs of approximately RMB800,000 (six months ended 30 June 2014: Nil) have been capitalised as part of the cost of the Group's construction in progress. The borrowing costs capitalised which arose on the general borrowing pool are calculated by applying a capitalisation rate of 6.36% per annum to the expenditure on the construction in progress.

13. INVENTORIES

	As at 30 June 2015 (unaudited) RMB'000	As at 31 December 2014 (audited) RMB'000
Raw materials	**54,080**	18,607
Work in progress	**14,026**	7,455
Finished goods	**52,453**	54,298
	120,559	80,360

14. TRADE AND OTHER RECEIVABLES

In general, the Group receives advances 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.

The following is an analysis of trade receivables by age, presented based on the invoice date:

	As at 30 June 2015 (unaudited) RMB'000	As at 31 December 2014 (audited) RMB'000
Trade receivables		
Within 30 days	**23,154**	14,250
31 to 90 days	**1,809**	2,688
Over 90 days	**835**	42
	25,798	16,980
Prepayments and other receivables	**9,050**	697
	34,848	17,677

15. BILLS RECEIVABLE

The following is an analysis of bills receivables, presented based on the date of invoices issued:

	As at 30 June 2015 (unaudited) RMB'000	As at 31 December 2014 (audited) RMB'000
Within 30 days	**11,875**	5,148
31 to 60 days	**9,845**	2,873
61 to 90 days	**2,703**	1,266
91 to 120 days	**5,161**	300
121 to 150 days	**2,006**	500
Over 150 days	**5,028**	219
	36,618	10,306

Included in bills receivable as at 30 June 2015 was an amount of approximately RMB28,574,000 (31 December 2014: RMB9,407,000) that were transferred to suppliers or a bank by endorsing or discounting those bills receivable on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amounts of the bills receivable and the corresponding liabilities.

Details of bills receivable discounted or endorsed are as follows:

	Bills receivable discounted to a bank with full recourse		**Bills receivable endorsed to suppliers with full recourse**	
	As at 30 June 2015 (unaudited) RMB'000	As at 31 December 2014 (audited) RMB'000	**As at 30 June 2015 (unaudited) RMB'000**	As at 31 December 2014 (audited) RMB'000
Carrying amount of recognised financial assets	**–**	1,493	**28,574**	7,914
Carrying amount of corresponding liabilities not set-off	**–**	(1,493)	**(28,574)**	(7,914)

16. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date:

	As at 30 June 2015 (unaudited) RMB'000	As at 31 December 2014 (audited) RMB'000
Trade payables		
Within 30 days	**62,943**	21,864
31 to 90 days	**20,697**	5,473
Over 90 days	**4,638**	368
	88,278	27,705
Accrued salaries and wages	**11,378**	6,246
Deposits from customers	**10,308**	5,080
Payables for acquisition of property, plant and equipment	**11,303**	8,660
Value-added tax and other tax payables	**32,153**	10,913
Accrued charges, consideration and other payables	**114,512**	32,756
	179,654	63,655
	267,932	91,360

17. BILLS PAYABLE

The following is an analysis of bills payable, presented based on invoices date:

	As at 30 June 2015 (unaudited) RMB'000	As at 31 December 2014 (audited) RMB'000
Within 30 days	**17,930**	7,206
31 to 90 days	**26,254**	18,150
Over 90 days	**19,268**	–
	63,452	25,356

18. BANK BORROWINGS

	As at 30 June 2015 (unaudited) RMB'000	As at 31 December 2014 (audited) RMB'000
Bank borrowings		
– Secured	**402,100**	230,700
– Unsecured	**99,600**	64,835
	501,700	295,535
The borrowings are repayable as follows:		
Within one year	**404,100**	280,535
More than one year, but not exceeding two years	**19,000**	15,000
More than two years, but not more than five years	**62,600**	–
	485,700	295,535
Carrying amount of bank loan that is repayable on demand due to breach of financial covenant clauses (shown under current liabilities)	**16,000**	–
	501,700	295,535
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(420,100)**	(280,535)
Amount due for settlement after 12 months	**81,600**	15,000

As at 30 June 2015, the secured bank borrowings were pledged by the Group's certain land use rights, property, plant and equipment, bank deposits and were guaranteed by a former owner of Huachun and third parties.

During the six months ended 30 June 2015, Huachun had breached certain financial covenant terms in relation to the debt-asset ratio and current ratio requirements of Huachun which constitute an early repayment option by the bank. This bank loan with carrying amount of RMB16,000,000 was classified under current liabilities. The management of Huachun notified the bank upon becoming aware of the breach, however, the bank has not requested for early repayment of the bank loan. Huachun is in the progress of negotiation with the bank with a view to negotiate the revision of terms of the bank loan. Notwithstanding the above, the directors believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of Huachun.

19. BOND PAYABLES

In 2013, Shenzhen Stock Exchange approved Huachun's application for the Small and Medium-sized Enterprises pilot programme for the issue of private placement bonds. On 26 September 2013, Huachun issued the private placement bonds, listed on Shenzhen Stock Exchange, in the principal amount of RMB200,000,000 (the "Bonds"). The Bonds, due on 25 September 2016, are interest-bearing at 7.8% per annum and interests are payable quarterly in arrears. The Bonds are secured by certain Huachun's property, plant and equipment, land use rights classified under prepaid lease payments and buildings thereon; and are guaranteed by a close family member of the executive directors of the Company, a former owner of Huachun and a third party.

During the period, the Group acquired 100% equity interest in Huachun, the bond payables of Huachun in the acquisition are measured at their acquisition-date fair value and subsequently measured at amortised cost using the effective interest method at 8.92% per annum.

20. SHARE CAPITAL

	Number of shares '000	HK$'000	RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 31 December 2014 and 30 June 2015	10,000,000	1,000,000	819,672
Issued and fully paid:			
At 31 December 2014 (audited)	1,138,500	113,850	92,875
Issue of bonus shares (unaudited)	113,850	11,385	8,965
At 30 June 2015 (unaudited)	1,252,350	125,235	101,840

Pursuant to the approval of the shareholders at the annual general meeting of the Company on 28 May 2015, 113,850,000 ordinary shares of the Company at HK$0.1 each were issued as bonus shares to the qualifying shareholders whose names are shown on the register of members of the Company on 8 June 2015 on a ten-to-one basis, by way of capitalisation of a portion of the share premium account of the Company on 23 June 2015.

21. ACQUISITION OF A SUBSIDIARY

On 6 January 2015, the Group acquired 100% equity interest in Huachun for a cash consideration of RMB200,000,000. Huachun was engaged in manufacturing and trading of polyester yarns, and grey and deep grey mélange yarns during the period. Huachun was acquired to enhance the Group's position as the leading yarn manufacturer in Jiangxi Province.

The provisional fair value of the identifiable assets and liabilities of Huachun acquired as at its date of acquisition is as follows:

Net assets acquired:	(unaudited) RMB'000
Property, plant and equipment	590,700
Prepaid lease payments	12,539
Intangible assets	167
Secured deposits for finance lease payable	4,090
Deposits for acquisition of property, plant and equipment	365
Deferred tax asset	2,658
Inventories	53,202
Trade and other receivables	1,639
Bills receivable	33,303
Pledged bank deposits	31,602
Cash and bank balances	5,570
Current tax assets	11,225
Trade and other payables	(122,542)
Bills payable	(33,742)
Finance lease payable	(12,591)
Bank borrowings	(175,750)
Bond payables	(197,820)
Deferred tax liabilities	(13,516)
	191,099
Goodwill	7,924
	199,023
Satisfied by:	
Cash	104,000
Consideration payable* and withholding tax payable	95,023
Total consideration	199,023
Net cash outflow arising on acquisition:	
Cash consideration paid	104,000
Cash and cash equivalents acquired	(5,570)
	98,430

* The consideration payable is unsecured and interest-bearing at 8% per annum. The fair value of the consideration payable was measured by discounting the nominal amount of the consideration payable that it will be fully settled on 5 January 2018.

21. ACQUISITION OF A SUBSIDIARY (Continued)

The goodwill arising on the acquisition of Huachun is attributable to the anticipated future operating synergies from the business combination.

Goodwill arising on the acquisition of Huachun is measured on a provisional basis as the nature and fair value of the identifiable assets and liabilities acquired can be determined on a provisional value only. The Group is in the process of obtaining independent professional valuation to assess the fair value of the assets and liabilities acquired. The provisional amounts may be adjusted upon the completion of initial accounting year.

Goodwill acquired has not been allocated to a cash-generating unit at the end of the reporting period as the account for business combination is still provisional.

The fair value of the trade and other receivables, and bills receivable acquired are approximately RMB1,639,000 and RMB33,303,000 respectively.

Acquisition-related costs amounting to approximately RMB1,218,000 were borne by Huachun before the date of acquisition.

Huachun's contribution of revenue and results to the Group from the date of acquisition to the end of the reporting period are as follows:

	(unaudited) RMB'000
Revenue	262,806
Profit	2,901

If the acquisition had been completed on 1 January 2015, total Group revenue for the period would have been approximately RMB632,116,000, and profit for the period would have been approximately RMB11,759,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is intended to be a projection of future results.

22. CAPITAL COMMITMENTS

	As at 30 June 2015 (unaudited) RMB'000	As at 31 December 2014 (audited) RMB'000
Contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment and construction of new production facilities and infrastructure	**84,993**	1,305

23. OPERATING LEASE COMMITMENTS

As at 30 June 2015, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	As at 30 June 2015 (unaudited) RMB'000	As at 31 December 2014 (audited) RMB'000
Within one year	**435**	64
In the second to fifth years inclusive	**290**	–
	725	64

Leases are negotiated for lease terms of two years with fixed rental and management fee over the terms of the relevant lease.

24. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the period:

Compensation of Key Management Personnel

The remuneration of directors of the Company and other members of key management of the Group during the six months ended 30 June 2015 are as follows:

	For the six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Short term benefits	**1,579**	1,459
Post-employment benefits	**28**	25
	1,607	1,484

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

25. CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities (six months ended 30 June 2014: Nil).

26. APPROVAL OF FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 August 2015.