

# CHINA WEAVING MATERIALS HOLDINGS LIMITED

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(Incorporated in the Cayman Islands with limited liability)  
Stock code: 3778

Interim Report 2016



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zheng Hong (*Chairman*)  
Mr. Zheng Yongxiang

### Non-Executive Director

Mr. Sze Irons, BBS, 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 PEOPLE'S REPUBLIC OF CHINA (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 Hong Kong

## INVESTORS RELATIONSHIP CONSULTANT

Anli Financial Communications Limited

## 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

Agricultural Bank of China  
(Fengxin Sub-branch)  
Bank of Communications Limited  
(Nanchang Donghu Sub-branch)  
China CITIC Bank  
(Nanchang 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  
CTBC Bank Co. Ltd., Hong Kong Branch  
The Hongkong and Shanghai Banking Corporation Limited

## COMPANY WEBSITE

[www.chinaweavingmaterials.com](http://www.chinaweavingmaterials.com)

## STOCK CODE

3778

# Management Discussion and Analysis

## MARKET OVERVIEW

In the first half of 2016, the international economic conditions remained challenging. The United States (the “US”) has witnessed signs of economic recovery 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 the adjustments resulting from the transition of the economy, the growth of the economy of 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 6.9% for 2015 to 6.7% in the first half of 2016.

After a drastic fall in the second half of 2015, international oil prices further plummeted to below US\$30 per barrel in February 2016. Then oil prices showed some signs of stabilisation in March 2016 and hovered between US\$30 per barrel and US\$50 per barrel in the second quarter of 2016. Lower prices of oil related raw materials will translate into lower yarn prices for polyester yarn products. The selling prices of polyester yarn and polyester-cotton blended yarn products were adversely affected in the first quarter accordingly. However, with the stabilisation of oil prices and oil related raw materials in the second quarter of 2016, the market conditions for polyester yarns products have improved.

Since the shift in the PRC’s government national cotton temporary reserve policy in 2014, the domestic cotton prices in the PRC have been shifting lower. The domestic cotton futures prices once fell below the mark of RMB10,000 per tonne in March 2016. However, as the PRC government launched its policy concerning output of national cotton reserve for 2015/16 in April 2016 and resumed the auction of national cotton reserve, the domestic cotton prices picked up. The rise in domestic cotton prices was due to several factors including the general low level of inventories in textile enterprises, slow auction output of national cotton reserve resulting from new public inspection requirement, unfavourable expectation of domestic cotton production and participation of speculation funds in the futures market. Higher prices of cotton increased the cost of cotton yarns products but the selling prices have not been able to catch up due to weak demand in the downstream markets. Fortunately, the depreciation of the Renminbi (“RMB”) has led to an increase in the import price of yarn and a decrease in its import volume, thereby providing some relief for the domestic textile market.

## BUSINESS REVIEW

The sales volume of China Weaving Materials Holdings Limited (the “Company”) together with its subsidiaries, (the “Group”) increased by 5.6% from approximately 53,934 tonnes for the six months ended 30 June 2015 to approximately 56,934 tonnes for the six months ended 30 June 2016. The production volume of the Group increased by 5.6% from approximately 52,552 tonnes for the six months ended 30 June 2015 to approximately 55,477 tonnes for the six months ended 30 June 2016. The revenue of the Group increased by 0.6% to approximately RMB631.3 million for the six months ended 30 June 2016 as compared to RMB627.4 million for the six months ended 30 June 2015. The gross profit and the profit attributable to the owners of the Company for the six months ended 30 June 2016 were approximately RMB53.6 million and approximately RMB1.5 million, respectively.

Following the completion of the acquisition of Jiangxi Huachun Color Spinning Technology Development Co., Ltd. (“Huachun”) in 2015, the Group has rationalised its production capacities and further diversified its product portfolio by the introduction of viscose-cotton blended yarns and stretchable core viscose yarns.

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 is engaged in the manufacture and trading of polyester staple fibres which are one of the basic raw materials of the Group for the production of polyester yarns. During the six months ended 30 June 2016, Xinyuan was yet to commence business. Xinyuan marks the Group’s first step into upward vertical integration. The construction of the workshop of Xinyuan has been completed. The installation of the production facilities is progressing well and is expected to complete in the third quarter of 2016.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

Revenue of the Group for the six months ended 30 June 2016 was approximately RMB631.3 million, representing an increase of approximately RMB3.9 million, or 0.6%, as compared to the corresponding period last year. The analysis of the sales of the Group's products is as below:

	Six months ended 30 June 2016 RMB'000		Six months ended 30 June 2015 RMB'000	
Polyester yarns	194,938	30.9%	250,930	40.0%
Polyester-cotton and viscose-cotton blended yarns	250,389	39.7%	236,248	37.7%
Cotton yarns	49,995	7.9%	45,842	7.3%
Cotton trading	2,220	0.4%	–	–
Viscose and Stretchable core viscose yarns	34,516	5.4%	–	–
Grey and deep grey mélange yarns	99,238	15.7%	94,335	15.0%
	<b>631,296</b>	<b>100.0%</b>	627,355	100.0%

The increase in the revenue of the Group for the six months ended 30 June 2016 was mainly attributable to the increase in sales volume from approximately 53,934 tonnes for the six months ended 30 June 2015 to approximately 56,934 tonnes for the six months ended 30 June 2016. The overall average selling price of yarn products of the Group decreased by approximately 5.6% from approximately RMB11,746 per tonne for the six months ended 30 June 2015 to approximately RMB11,088 per tonne for the six months ended 30 June 2016.

### Gross Profit and Gross Profit Margin

Gross profit of the Group decreased from approximately RMB56.9 million for the six months ended 30 June 2015 to approximately RMB53.6 million for the six months ended 30 June 2016. The gross profit margin of the Group decreased from approximately 9.1% for the six months ended 30 June 2015 to approximately 8.5% for the six months ended 30 June 2016. The decrease in gross profit was mainly due to the depressed selling prices of polyester yarns in the first quarter of 2016. The depressed selling prices were due to fall in oil related raw materials caused by the drastic fall in oil prices.

### Other Income

Other income of the Group decreased from approximately RMB20.9 million for the six months ended 30 June 2015 to approximately RMB5.6 million for the six months ended 30 June 2016, representing a decrease of approximately RMB15.3 million or 73.2%. The decrease in other income was mainly due to a reduction in government grant and the fact that the fire insurance claim income recorded for the six months ended 30 June 2015 of approximately RMB6.9 million was a one-time income and did not recur in the six months ended 30 June 2016.

### Distribution and Selling Expenses

Distribution and selling expenses of the Group remained about the same at approximately RMB11.4 million for the six months ended 30 June 2016 as compared to approximately RMB11.2 million for the six months ended 30 June 2015. Distribution and selling expenses as a percentage of revenue of the Group was approximately 1.8% for the six months ended 30 June 2016 (six months ended 30 June 2015: 1.8%).

# Management Discussion and Analysis

## Administrative Expenses

Administrative expenses of the Group decreased slightly to approximately RMB21.8 million for the six months ended 30 June 2016 as compared to approximately RMB22.2 million for the six months ended 30 June 2015. Administrative expenses as a percentage of revenue of the Group was approximately 3.4% for the six months ended 30 June 2016 (six months ended 30 June 2015: 3.5%).

## Finance Costs

Finance costs of the Group decreased from approximately RMB27.0 million for the six months ended 30 June 2015 to approximately RMB23.3 million for the six months ended 30 June 2016, representing a decrease of 13.7% or approximately RMB3.7 million. The decrease in the Group's finance costs was mainly due to decrease in bank borrowings.

## Income Tax Expense

The Group's effective income tax rate for the six months ended 30 June 2016 was approximately 63.6%, as compared to 7.1% for the corresponding period in 2015. The increase in effective income tax rate of the Group was mainly due to the reversal of recognised deferred tax assets in respect of the tax loss carrying forward, which was utilised in current period.

## 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 2016 was approximately RMB1.5 million, representing a decrease of approximately RMB10.5 million, or 87.5%, as compared to that for the six months ended 30 June 2015. The net profit margin of the Group for the six months ended 30 June 2016 was approximately 0.2%, representing a decrease of 1.7 percentage points as compared to approximately 1.9% for the six months ended 30 June 2015. The decreases in the Group's net profit and net profit margin were mainly due to the decrease in other income, partially offset by decrease in loss from fire and finance costs.

## Earnings Per Share

The basic earnings per share of the Company for the six months ended 30 June 2016 was approximately RMB0.12 cent, representing a decrease of approximately 87.5% as compared to approximately RMB0.96 cent for the six months ended 30 June 2015. The decrease in basic earnings per share of the Company was due to the decrease in net profit for the six months ended 30 June 2016.

## 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 2016, net cash inflow from operating activities of the Group amounted to approximately RMB45.6 million (six months ended 30 June 2015: RMB53.2 million). The Group had cash and bank balances of approximately RMB44.6 million (31 December 2015: RMB41.2 million), pledged bank deposits of approximately RMB21.9 million (31 December 2015: RMB36.2 million) and restricted bank deposit of approximately RMB30.1 million (31 December 2015: RMB20.1 million) as at 30 June 2016. The Group's cash and bank balances were mainly held in Hong Kong Dollars and RMB.

## Capital Structure and Pledge on Assets

The Group's interest-bearing borrowings were made in RMB and Hong Kong dollars. As at 30 June 2016, the Group's interest-bearing borrowings amounted to approximately RMB622.9 million (31 December 2015: RMB658.1 million), RMB591.8 million (95.0%) of which (31 December 2015: RMB575.1 million (87.4%)) 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 RMB688.1 million in aggregate (31 December 2015: RMB724.8 million).



# Management Discussion and Analysis

## Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank borrowings, bond payable, finance leases payables, bills payable and consideration payable to total assets, was approximately 47.9% as at 30 June 2016 (31 December 2015: 50.3%). Net current liabilities and net assets at 30 June 2016 was approximately RMB613.9 million (31 December 2015: RMB590.0 million) and approximately RMB481.9 million (31 December 2015: RMB463.6 million), respectively.

## Foreign Exchange Exposure

As the Group conducts its business transactions principally in RMB, 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 2016. The Group has foreign currency cash and bank balances, other receivables, bank borrowing and other payable, which mainly expose the Group to risk 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 2016 were approximately RMB17.1 million (31 December 2015: RMB11.7 million) and RMB16.9 million (31 December 2015: RMB9.4 million), respectively.

## Contingent Liabilities

As at 30 June 2016, the Group did not have any contingent liabilities.

## Employees, Remuneration and Share Option Scheme

As at 30 June 2016, the Group had a total of 3,298 employees (31 December 2015: 3,103). Remuneration for employees, including the directors of the Company (the "Directors"), is determined in accordance with performance, professional experiences and the prevailing market practices. The Group's management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, discretionary bonus will also be granted to certain employees as awards in accordance with individual performance. The Company had adopted a share option scheme on 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

During the six months ended 30 June 2016, the Group did not have any significant investments or acquisitions or sales of subsidiaries.

## PROSPECTS

Following the acquisition of Huachun, the Group has rationalised its production capacities and further diversified its product portfolio by the introduction of viscose-cotton blended yarns and stretchable core viscose yarns.

After a drastic fall in the second half of 2015, international oil prices further plummeted to below US\$30 per barrel in February 2016. Then oil prices showed some signs of stabilization in March 2016 and hovered between US\$30 per barrel and US\$50 per barrel in the second quarter of 2016. Lower prices of oil related raw materials will translate into lower yarn prices for polyester yarn products. The selling prices of polyester yarn and polyester-cotton blended yarns products were adversely affected in the first quarter accordingly. However, with the stabilisation of oil prices and oil related raw materials in the second quarter of 2016, the market conditions for polyester yarns products are expected to continue to improve.

The continuing refinement of the cotton reserve policy by the PRC government is expected to bring the prices of domestic cotton more in line with the market prices of the outside world. This will provide a more level playing ground between the domestic textile enterprises and overseas competitors.

Looking forward, the sluggish overseas demand and a softening domestic economy will continue to pose challenges to the textile industry in the PRC. The Group will continue to put more effort into new products development and increase its effort in developing markets for its new products. 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 of Directors (the “**Board**”) has not recommended an interim dividend in respect of the six months ended 30 June 2016.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company (“**Shares**”) during the six months ended 30 June 2016.

## FUND RAISING ACTIVITIES

On 9 August 2016, the Company issued redeemable fixed coupon notes in the principal amount of HK\$50,000,000 (the “**Notes**”) and a redeemable fixed coupon convertible bond in the principal amount of HK\$110,000,000 which carries conversion rights to convert up to 227,000,000 conversion shares at the conversion price (being the initial price of HK\$0.45 per conversion share which is subject to adjustment) (the “**Bond**”) to CCB International Overseas Limited.

Popular Trend Holdings Limited, a controlling shareholder of the Company (the “**Mortgagor**”) has entered into a

share mortgage with CCB International Overseas Limited in respect of a mortgage over 514,305,000 ordinary shares of HK\$0.10 in the capital of the Company (“**Mortgaged Shares**”) held by the Mortgagor as continuing security for the Notes and the Bond. As at the date of this report, the Mortgaged Shares represent approximately 41.07% of the entire issued share capital of the Company.

Details of the Notes and the Bond were set out in the Company’s announcements dated 11 July 2016 and 9 August 2016.

## DIRECTORS’ INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, the interest or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) under the provisions of Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code 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 <sup>(1)</sup> (long position)	41.07%
Mr. Sze Irons, BBS, JP	Interest of a controlled corporation	135,135,000 <sup>(2)</sup> (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, BBS, JP.

# Corporate Governance and Other Information

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 the shareholders of the Company (the “**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 5.3 years as at the date of this report. The terms of the Scheme are in compliance with the provisions of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

# Corporate Governance and Other Information

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.

## **ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURE**

Save as disclosed in the section headed "Share Option Scheme" above, at no time during the six months ended 30 June 2016 were rights to acquire benefits by means of the acquisition of share in or debentures of the Company granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES**

As at 30 June 2016, 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:



# Corporate Governance and Other Information

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company
Popular Trend <sup>(1)</sup>	Beneficial owner	514,305,000 Shares (long position)	41.07%
Flourish Talent <sup>(2)</sup>	Beneficial owner	135,135,000 Shares (long position)	10.79%
Da Yu Investments <sup>(3)</sup>	Beneficial owner	67,567,500 Shares (long position)	5.40%
Ms. Xie Meijing <sup>(3)</sup>	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, BBS, 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 2016, the Company had complied with the code provisions of the existing Corporate Governance Code (the "**CG Code**") and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. In respect of code provision C.2.5 of the CG Code, the Company did not have an internal audit ("**IA**") function during the six months ended 30 June 2016. Taking into account the size and complexity of the operations of the Group and the potential costs involved in setting up an IA function, the Company considers that the existing organisation structure and the close supervision of the executive management team could provide sufficient internal control and risk management for the Group. The audit committee of the Board regularly reviews the effectiveness of the internal control systems and risk management of the Group. The Board will review the need for an IA function on an annual basis.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 2016.

## AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL INFORMATION

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 information of the Group for the six months ended 30 June 2016.

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
<b>Revenue</b>	6	<b>631,296</b>	627,355
Cost of sales		<b>(577,741)</b>	(570,452)
<b>Gross profit</b>		<b>53,555</b>	56,903
Other income	7	<b>5,624</b>	20,873
Other gains and losses		<b>450</b>	712
Distribution and selling expenses		<b>(11,394)</b>	(11,237)
Administrative expenses		<b>(21,770)</b>	(22,187)
Loss from fire		<b>–</b>	(5,219)
Finance costs		<b>(23,272)</b>	(26,975)
<b>Profit before tax</b>		<b>3,193</b>	12,870
Income tax expense	8	<b>(2,031)</b>	(918)
<b>Profit and total comprehensive income for the period</b>	9	<b>1,162</b>	11,952
<b>Profit/(Loss) and total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>1,486</b>	12,025
Non-controlling interests		<b>(324)</b>	(73)
		<b>1,162</b>	11,952
<b>Earnings per share</b>	11		
Basic		<b>RMB 0.12 cent</b>	RMB 0.96 cent
Diluted		<b>N/A</b>	N/A

# Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Note	As at 30 June 2016 (unaudited) RMB'000	As at 31 December 2015 (audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	12	1,102,663	1,084,908
Prepaid lease payments		44,890	45,434
Intangible asset		92	117
Deposits on acquisition of property, plant and equipment		1,339	17,561
Goodwill		34,829	34,829
Tax recoverable		–	8,938
Deferred tax assets		2,687	4,295
		<b>1,186,500</b>	1,196,082
<b>Current assets</b>			
Inventories	13	130,538	141,182
Trade and other receivables	14	37,753	54,298
Bills receivable	15	17,316	15,833
Prepaid lease payments		1,093	1,093
Tax recoverable		–	2,287
Pledged bank deposits		21,899	36,195
Restricted bank deposit		30,097	20,059
Cash and bank balances		44,562	41,182
		<b>283,258</b>	312,129
<b>Current liabilities</b>			
Trade and other payables	16	257,489	268,445
Bills payable	17	41,471	52,965
Deferred income		154	154
Finance lease payable		967	940
Bank borrowings	18	391,100	375,100
Bond payables	19	199,689	199,066
Current tax liabilities		6,262	5,478
		<b>897,132</b>	902,148
<b>Net current liabilities</b>		<b>(613,874)</b>	(590,019)
<b>Total assets less current liabilities</b>		<b>572,626</b>	606,063



# Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Note	As at 30 June 2016 (unaudited) RMB'000	As at 31 December 2015 (audited) RMB'000
<b>Non-current liabilities</b>			
Consideration payables		38,932	38,548
Deferred income		8,117	8,195
Finance lease payable		3,460	3,898
Bank borrowings	18	27,680	79,100
Deferred tax liabilities		12,530	12,727
		<b>90,719</b>	142,468
<b>NET ASSETS</b>			
<b>Capital and reserves</b>			
Share capital	20	101,989	101,989
Reserves		346,208	344,722
Equity attributable to owners of the Company		448,197	446,711
Non-controlling interests		33,710	16,884
<b>TOTAL EQUITY</b>			
		<b>481,907</b>	463,595

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the Company							
	Share capital	Share premium	Statutory surplus reserve	Special reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 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	8,965	(8,965)	-	-	-	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	17,150	17,150
<b>At 30 June 2015 (unaudited)</b>	<b>101,840</b>	<b>74,052</b>	<b>65,058</b>	<b>148,739</b>	<b>55,224</b>	<b>444,913</b>	<b>17,077</b>	<b>461,990</b>
At 1 January 2016 (audited)	<b>101,989</b>	<b>73,903</b>	<b>65,058</b>	<b>148,739</b>	<b>57,022</b>	<b>446,711</b>	<b>16,884</b>	<b>463,595</b>
Profit and total comprehensive income for the period	-	-	-	-	<b>1,486</b>	<b>1,486</b>	<b>(324)</b>	<b>1,162</b>
Capital contribution from non-controlling interests	-	-	-	-	-	-	<b>17,150</b>	<b>17,150</b>
<b>At 30 June 2016 (unaudited)</b>	<b>101,989</b>	<b>73,903</b>	<b>65,058</b>	<b>148,739</b>	<b>58,508</b>	<b>448,197</b>	<b>33,710</b>	<b>481,907</b>

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>45,626</b>	53,222
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Placement of pledged bank deposits	(19,899)	(34,634)
Withdrawal of pledged bank deposits	34,195	39,176
Interest received	499	753
Acquisition of a subsidiary	–	(98,451)
Purchase of property, plant and equipment	(26,983)	(12,083)
Deposits on acquisition of property, plant and equipment	(1,339)	(19,086)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(13,527)</b>	(124,325)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Capital contribution from non-controlling interests	17,150	17,150
Proceeds from bank borrowings	232,100	317,700
Repayment of bank borrowings	(267,520)	(287,285)
Repayment of obligations under finance lease	(411)	(5,917)
Increase in restricted bank deposit	(10,038)	(10,012)
<b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>	<b>(28,719)</b>	31,636
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,380</b>	(39,467)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>41,182</b>	166,689
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>44,562</b>	127,222
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	44,562	95,222
Time deposit with original maturity less than three months	–	32,000
	<b>44,562</b>	127,222



# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 1. GENERAL INFORMATION

China Weaving Materials Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 4 May 2011 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 (collectively 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 other yarn products and trading of cotton.

This condensed consolidated financial information for the six months ended 30 June 2016 is presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company.

## 2. BASIS OF PREPARATION

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

The Group continues to adopt the going concern basis in preparing its condensed consolidated financial information. As of 30 June 2016, the Group had net current liabilities of approximately RMB613,874,000. The condition indicates the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the condensed consolidated financial information has been prepared on a going concern basis as the directors have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

- (a) The banking facilities from the Group’s bankers for its working capital requirements for the next twelve months will be available as and when required, having regard to the following:
  - (i) Up to the date of the condensed consolidated financial information was authorised for issue, the Group’s bankers agreed to renew bank borrowings amounting to approximately RMB182,100,000 currently included in current liabilities as at 30 June 2016.
  - (ii) Undrawn banking facilities amounting to approximately RMB62,804,000.
  - (iii) Subsequent to the reporting date, the Group has also successfully obtained new banking facilities of approximately RMB45,334,000.
  - (iv) Certain existing prepaid land lease and property, plant and equipment can be offered as security for further financing.

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 2. BASIS OF PREPARATION (Continued)

- (b) Subsequent to the reporting date, the Group issued redeemable fixed coupon notes and a redeemable fixed coupon convertible bond in the principal amount of HK\$50,000,000 and HK\$110,000,000 respectively.
- (c) The Group is able to generate sufficient operating cash flows to meet its current and future obligations.

In addition, in order to improve the Group's financial position, the directors of the Company are actively exploring different alternatives of equity or other financing.

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

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

This condensed consolidated financial information should be read in conjunction with the 2015 annual financial statements. The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2015 except as stated below.

## 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not have any significant effect on the condensed consolidated financial information.

## 4. FAIR VALUE MEASUREMENTS

Except as disclosed in note 19, the carrying amounts of the Group's financial assets and financial liabilities recorded in the condensed consolidated statement of financial position approximate to their respective fair values.

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 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 according to the types of goods delivered, and are regularly reviewed by the chief operating decision-maker (the “**CODM**”) to allocate resources to the segments and to assess their performance focuses on type of goods delivered.

The CODM which is responsible for allocating resources and assessing performance of the operating segments has been defined as the executive directors of the Company.

During the six months ended 30 June 2016, the CODM has identified the following two reportable segments under IFRS 8 “Operating Segments”. No operating segments have been aggregated to form the following reportable segments.

- a. Yarns – manufacturing and trading of yarns
- b. Staple fibres – manufacturing and trading of polyester staple fibres

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

The operation of 江西鑫源特種纖維有限公司 (for identification purpose, Jiangxi Xinyuan Special Fibres Company Limited (“**Xinyuan**”)) represents the operating and reportable segment targets on the sales of staple fibres. During the six months ended 30 June 2016, no revenue was generated from the reportable segment of staple fibres.

For the six months ended 30 June 2015, the directors considered that the Group only had a single operating and reportable segment of sales of yarns.

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

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 5. SEGMENT INFORMATION (Continued)

Information about reportable segment profit or loss:

	Yarns RMB'000	Staple Fibres RMB'000	Total RMB'000
<b>6 months ended 30 June 2016</b>			
Revenue from external customers	631,296	–	631,296
Interest income	484	4	488
Interest expense	(23,207)	–	(23,207)
Depreciation and amortisation	(27,219)	(96)	(27,315)
<b>Profit/(Loss) of reportable segments</b>	<b>4,562</b>	<b>(663)</b>	<b>3,899</b>

The segment revenue is the same as the Group's revenue for six months ended 30 June 2016 and 2015. Reconciliation of segment results reviewed by the CODM is as follows:

	Six months ended 30 June 2016 (unaudited) RMB'000
Profit of reportable segments	3,899
Adjusted for income in relation to government grants	191
Unallocated expense	(6)
Administrative and other expenses	(891)
Taxation	(2,031)
<b>Group's profit for the period</b>	<b>1,162</b>

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 6. REVENUE

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

	Six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Sales of polyester yarns	194,938	250,930
Sales of polyester-cotton and viscose-cotton blended yarns	250,389	236,248
Sales of cotton yarns	49,995	45,842
Sales of cotton	2,220	–
Sales of stretchable core viscose yarns and viscose yarns	34,516	–
Sales of grey and deep grey mélange yarns	99,238	94,335
	<b>631,296</b>	<b>627,355</b>

## 7. OTHER INCOME

	Six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Interest income on bank deposits	499	753
Government grants	191	9,320
Income from scrap sales	4,464	2,990
Fire insurance claim income	–	6,932
Others	470	878
	<b>5,624</b>	<b>20,873</b>



# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Current tax		
PRC enterprise income tax ("EIT")		
Provision for the period	621	–
Under-provision in prior year	–	68
Deferred tax	1,410	850
	<b>2,031</b>	918

No provision for Hong Kong Profits Tax for the six months ended 30 June 2016 and 2015 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 April 2014, and the status is valid for a period of three years. Jiangxi Jinyuan is thus entitled to a preferential tax rate of 15% from April 2014 to April 2017, 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 2016 and 2015.

Huachun, a subsidiary, has been recognised as a state-encouraged high-new technology enterprise starting from December 2013, and the status is valid for a period of three years. Huachun is thus entitled to a preferential tax rate of 15% from December 2013 to December 2016, 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 2016 and 2015.

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.

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 9. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging:

	Six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Depreciation of property, plant and equipment	26,782	24,439
Amortisation of prepaid lease payments	545	545
Amortisation of intangible assets	25	25
Total depreciation and amortisation	27,352	25,009
Cost of inventories sold	577,741	570,452
Directors' emoluments	1,410	1,213

## 10. DIVIDENDS

The Board of Directors of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2016 and 2015.

## 11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	1,486	12,025

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 11. EARNINGS PER SHARE (Continued)

	Six months ended 30 June	
	2016 (unaudited) '000	2015 (unaudited) '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	<b>1,252,350</b>	1,252,350

No diluted earnings per share has been presented as there were no potential dilutive shares outstanding for the six months ended 30 June 2016 and 2015.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired property, plant and equipment of approximately RMB44,544,000 (for the year ended 31 December 2015: RMB12,592,000 (audited)). These acquisitions are mainly in relation to its manufacturing plant in the PRC.

## 13. INVENTORIES

	As at 30 June 2016 (unaudited) RMB'000	As at 31 December 2015 (audited) RMB'000
Raw materials	<b>43,032</b>	42,079
Work in progress	<b>14,199</b>	13,773
Finished goods	<b>73,307</b>	85,330
	<b>130,538</b>	141,182

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 14. TRADE AND OTHER RECEIVABLES

In general, the Group receives advances or bills from customers before 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 at the end of each reporting period, which approximated the respective revenue recognition dates:

	As at 30 June 2016 (unaudited) RMB'000	As at 31 December 2015 (audited) RMB'000
Trade receivables		
Within 30 days	6,718	26,166
31 to 90 days	117	3,872
Over 90 days	611	679
	<b>7,446</b>	30,717
Advance payment to suppliers	6,000	10,753
Prepayments and other receivables	13,246	5,177
Value-added tax recoverable	11,061	7,651
	<b>37,753</b>	54,298

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 15. BILLS RECEIVABLE

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

	As at 30 June 2016 (unaudited) RMB'000	As at 31 December 2015 (audited) RMB'000
Within 30 days	3,168	4,490
31 to 60 days	798	1,560
61 to 90 days	4,159	4,121
91 to 120 days	5,240	2,000
121 to 150 days	461	2,535
Over 150 days	3,490	1,127
	<b>17,316</b>	15,833

Included in bills receivable as at 30 June 2016 was an amount of approximately RMB16,191,000 (31 December 2015: RMB14,645,000) that were transferred to suppliers by endorsing those bills receivable on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amounts of the bills receivable and the corresponding liabilities.

	Bills receivable endorsed to suppliers with full recourse	
	As at 30 June 2016 (unaudited) RMB'000	As at 31 December 2015 (audited) RMB'000
Carrying amount of recognised financial assets	16,191	14,645
Carrying amount of corresponding liabilities not set-off	<b>(16,191)</b>	(14,645)



# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 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 2016 (unaudited) RMB'000	As at 31 December 2015 (audited) RMB'000
Trade payables		
Within 30 days	<b>67,785</b>	53,863
31 to 90 days	<b>10,634</b>	50,205
Over 90 days	<b>2,994</b>	3,690
	<b>81,413</b>	107,758
Accrued salaries and wages	<b>11,479</b>	14,153
Other accrued charges and payables	<b>83,806</b>	83,205
Deposits from customers	<b>32,381</b>	16,741
Payables for acquisition of property, plant and equipment	<b>9,436</b>	10,907
Dividend payables	<b>243</b>	243
Value-added tax and other tax payables	<b>28,310</b>	26,786
Interests on consideration payables	<b>10,421</b>	8,652
	<b>176,076</b>	160,687
	<b>257,489</b>	268,445

## 17. BILLS PAYABLE

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

	As at 30 June 2016 (unaudited) RMB'000	As at 31 December 2015 (audited) RMB'000
Within 30 days	<b>11,723</b>	4,415
31 to 90 days	<b>7,501</b>	14,110
Over 90 days	<b>22,247</b>	34,440
	<b>41,471</b>	52,965

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 18. BANK BORROWINGS

	As at 30 June 2016 (unaudited) RMB'000	As at 31 December 2015 (audited) RMB'000
Bank borrowings		
– Secured	<b>323,780</b>	373,200
– Unsecured	<b>95,000</b>	81,000
	<b>418,780</b>	454,200
Amount payable within one year	<b>391,100</b>	375,100
Amount payable over one year	<b>27,680</b>	79,100
	<b>418,780</b>	454,200

As at 30 June 2016, certain property, plant and equipment, land use rights classified under prepaid lease payments and bank deposits were pledged as security for the Group's bank borrowings.

## 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 property, plant and equipment, land use rights classified under prepaid lease payments and buildings thereon; and are guaranteed by a related party (a close family member of the executive directors of the Company).

The directors estimate the fair value of the bond payables as at 30 June 2016 to be approximately RMB201,663,000 (31 December 2015: RMB204,741,000), by discounting the future cash flows at the market interest rate of 5% (level 2 fair value measurements).

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 20. SHARE CAPITAL

	Number of shares '000	HK\$'000	RMB'000
<b>Ordinary shares of HK\$0.1 each</b>			
Authorised:			
At 31 December 2015 and 30 June 2016	<b>10,000,000</b>	<b>1,000,000</b>	<b>819,672</b>
Issued and fully paid:			
At 31 December 2015 (audited) and 30 June 2016 (unaudited)	<b>1,252,350</b>	<b>125,235</b>	<b>101,989</b>

A summary of the movements in the issued share capital of the Company is as follows:

	Number of shares '000	HK\$'000	RMB'000
At 1 January 2015	1,138,500	113,850	92,875
Issue of bonus shares (Note)	113,850	11,385	9,114
At 31 December 2015 (audited) and 30 June 2016 (unaudited)	<b>1,252,350</b>	<b>125,235</b>	<b>101,989</b>

Note: 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. MAJOR NON-CASH TRANSACTION

Additions to property, plant and equipment during the six months ended 30 June 2016 of approximately RMB17,561,000 was settled by deposit on acquisition of property, plant and equipment.

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 22. CAPITAL COMMITMENTS

	As at 30 June 2016 (unaudited) RMB'000	As at 31 December 2015 (audited) RMB'000
Acquisition of property, plant and equipment and construction of new production facilities and infrastructure	<b>31,135</b>	64,420

## 23. OPERATING LEASE COMMITMENTS

As at 30 June 2016, the future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	As at 30 June 2016 (unaudited) RMB'000	As at 31 December 2015 (audited) RMB'000
Within one year	<b>317</b>	470
In the second to fifth years inclusive	–	78
	<b>317</b>	548

Lease is negotiated for lease term of two years with fixed rental and management fee over the term of the lease.

# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 24. RELATED PARTY TRANSACTIONS

The Group had the following transactions and balances 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 2016 are as follows:

	Six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Short term benefits	1,793	1,579
Post-employment benefits	32	28
	<b>1,825</b>	1,607

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

As at 30 June 2016, included in accrual for salaries and wages was an amount of RMB28,000 (as at 31 December 2015: RMB56,000) being accrued directors' remuneration which are unsecured, interest-free and settled in cash.

The Group's bonds are guaranteed by a close family member of the executive directors of the Company.

## 25. CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities (as at 31 December 2015: Nil).

## 26. EVENTS AFTER THE REPORTING PERIOD

On 9 August 2016, the Company issued redeemable fixed coupon notes in the principal amount of HK\$50,000,000 and a redeemable fixed coupon convertible bond in the principal amount of HK\$110,000,000 which carries conversion rights to convert up to 227,000,000 conversion shares at the conversion price (being the initial price of HK\$0.45 per conversion share which is subject to adjustment) during the conversion period.

Details of the redeemable fixed coupon notes and the redeemable fixed coupon convertible bond were set out in the Company's announcements dated 11 July 2016 and 9 August 2016.



# Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## **27. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current period's presentation. The new presentation was considered to provide a more appropriate presentation to the condensed consolidated statement of cash flows.

## **28. APPROVAL OF FINANCIAL INFORMATION**

The condensed consolidated financial information was approved and authorised for issue by the Board of Directors on 26 August 2016.