

CHINA WEAVING MATERIALS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3778

INTERIM REPORT 2021

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Corporate Information

BOARD OF DIRECTORS (THE "BOARD")

Executive Director

Mr. Zheng Yongxiang

Non-Executive Director

Mr. Zheng Hong (*Chairman*)

Independent Non-Executive Directors

Ms. Zhang Baixiang

Mr. Xu Yiliang

Mr. Li Guoxing

BOARD COMMITTEES

Audit committee

Ms. Zhang Baixiang (*Chairman*)

Mr. Xu Yiliang

Mr. Li Guoxing

Remuneration committee

Mr. Xu Yiliang (*Chairman*)

Ms. Zhang Baixiang

Mr. Zheng Hong

Mr. Li Guoxing

Nomination committee

Mr. Zheng Hong (*Chairman*)

Ms. Zhang Baixiang

Mr. Xu Yiliang

Mr. Li Guoxing

COMPANY SECRETARY

Mr. Cheung Chi Fai Frank

AUTHORISED REPRESENTATIVES

Mr. Zheng Hong

Mr. Cheung Chi Fai Frank

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD QUARTERS IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

Fengtian Development Zone

Fengxin County

Jiangxi Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 806, 8/F, Capital Centre

151 Gloucester Road

Wanchai, Hong Kong

LEGAL ADVISERS

As to Hong Kong law:

Morgan, Lewis and Bockius

As to PRC law:

Jiangxi Kangtuo Law Offices

AUDITOR

RSM Hong Kong
Certified Public Accountants
Registered Public Interest Entity Auditor

INVESTORS RELATIONSHIP CONSULTANT

Anli Financial Communications Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTER AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Agricultural Bank of China
(Fengxin Sub-branch)
Bank of Communications Limited
(Nanchang Donghu Sub-branch)
Bank of Jiujiang
China CITIC Bank
(Nanchang Branch)
China Construction Bank Corporation
(Fengxin Sub-branch)
China Everbright Bank Co. Ltd.
(Fuzhou Nanmen Sub-branch)
DahSing Bank
Far Eastern Leasing Company Limited
Fengxin Rural Commercial Bank
Industrial and Commercial Bank of China Limited
(Fengxin Sub-branch)
Industrial Bank Co. Ltd.
(Nanchang Branch)
Shanghai Pudong Development Bank Co. Ltd.
(Nanchang Branch)
The Hongkong and Shanghai Banking Corporation Limited

COMPANY WEBSITE

www.chinaweavingmaterials.com

STOCKCODE

3778

Management Discussion and Analysis

MARKET OVERVIEW

In the first half of 2021, there were signs of improvement in the global economy as developed countries emerged from the COVID-19 pandemic (the “**Pandemic**”). The GDP of the United States (the “**US**”) has recorded an increase of around 6.3% and 6.5% for the first and second quarters respectively. The European Union (the “**EU**”) has recorded a decrease of around 1.3% for the first quarter and an increase of around 13.2% for the second quarter. The GDP of the People’s Republic of China (the “**PRC**”) has recorded an increase of around 18.3% and 7.9% for the first and second quarters respectively.

The gradual recovery of the global economy has stimulated the demand for crude oil. The international crude oil price increased steadily from around US\$50 per barrel at the end of 2020 to around US\$75 per barrel at the end of June 2021. The upward moving crude oil price has pushed up the prices of oil-related downstream products, including raw materials for polyester yarn products. Hence, the upward price trend of raw materials contributed to the increase in the selling prices of polyester yarn products in the first half of 2021 accordingly.

The international cotton prices also benefited from the recovery of the global economy. The international prices have followed an upward trend and have been hovering between around US80 cents per pound and US90 cents per pound in the first half of 2021. The domestic cotton prices in the PRC have been trading at a similar pattern with that of international cotton. They have been fluctuating between RMB15,000 per tonne and RMB16,000 per tonne in the first half of 2021. There was no change in the PRC government policies in relation to collection of cotton reserve, direct subsidy to cotton farmers and the orderly auction of the cotton reserve. Accordingly, the domestic cotton prices in the PRC have not been affected by the continuing policies.

Despite there were signs of recovery in the global economy, disparity was witnessed on the pace of recovery of different countries. Developed economies like the US and the EU were recovering quicker due to higher vaccination rate, better control over the Pandemic and supportive government policies. However, for many developing countries, vaccine storage and lagging vaccination progress have posed obstacles to their recovery. The PRC has been very successful in containing the Pandemic and enjoyed quick recovery in the second half of 2020. The momentum has continued in the first half of 2021. However, risk and uncertainties remain with the emergence of the Delta variant and other new virus strains and the commencement of unwinding of government support.

BUSINESS REVIEW

The sales volume of yarn products of China Weaving Materials Holdings Limited (the “**Company**”) together with its subsidiaries (the “**Group**”) increased by 23.8% from approximately 44,355 tonnes for the six months ended 30 June 2020 to approximately 54,897 tonnes for the six months ended 30 June 2021. The increase in sales volume was mainly due to the favourable market conditions caused by the economic recovery. The production volume of yarn products of the Group increased by 24.2% from approximately 49,041 tonnes for the six months ended 30 June 2020 to approximately 60,888 tonnes for the six months ended 30 June 2021. The production for the six months ended 30 June 2020 was low due to delay in the resumption of production after the Chinese New Year Holidays caused by the Pandemic. However, there was no such delay for the six months ended 30 June 2021. The revenue of the yarn products of the Group increased by 46.9% to approximately RMB733.4 million for the six months ended 30 June 2021 as compared to RMB499.4 million for the six months ended 30 June 2020. The gross profit and the profit attributable to the owners of the Company for the six months ended 30 June 2021 were approximately RMB153.7 million and approximately RMB102.1 million, respectively.

Management Discussion and Analysis

The Group's subsidiary company, Jiangxi Xinyuan Special Fibres Company Limited ("**Xinyuan**") is engaged in the manufacture and trading of polyester staple fibres ("**PSF**") which are one of the basic raw materials of the Group for the production of polyester yarns. The sales volume of PSF decreased by 5.9% from approximately 14,816 tonnes for the six months ended 30 June 2020 to approximately 13,948 tonnes for the six months ended 30 June 2021. The production volume of PSF increased by 54.3% from approximately 11,040 tonnes for the six months ended 30 June 2020 to approximately 17,036 tonnes for the six months ended 30 June 2021.

With the progress in vaccination programs, different economies started to reopen in 2021 but at different paces. The PRC government has been very successful in containing the Pandemic in the second quarter of 2020 and the economy rebounded in the second half of 2020. The growth momentum continued into 2021 and consumer confidence and retail sales have increased. On the contrary, the countries in South Asia and Southeast Asia have not been able to contain the Pandemic successfully and their manufacturing industries have been adversely affected, resulting in a portion of orders flowing into the PRC. The above factors have contributed to a booming textile market in the PRC.

As the Group is confident about the future, it announced on 13 July 2021 a plan to construct a highly automated new workshop with a capacity of 50,000 spindles (the "**New Workshop**"). The construction of the New Workshop is expected to commence in the third quarter of 2021 and expected to be completed by the third quarter of 2022. The New Workshop will achieve cost savings and increase the efficiency of producing yarn products. The Group also acquired the remaining 23% interest in Xinyuan from the minority shareholder at a consideration of RMB16.1 million in the second quarter of 2021 as the minority shareholder wanted to cease the investment. The Group considers investment in Xinyuan, which is engaged in the upstream operation of the Group, has strategic importance. The Group also believes the acquisition could streamline the shareholding and improve management efficiency.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Revenue of the Group for the six months ended 30 June 2021 was approximately RMB767.9 million, representing an increase of approximately RMB211.3 million, or 38.0%, 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 2021		Six months ended 30 June 2020	
	RMB'000		RMB'000	
Polyester yarns	238,864	31.1%	206,840	37.2%
Polyester-cotton and viscose-cotton blended yarns	356,278	46.3%	206,829	37.2%
Cotton yarns	496	0.1%	11,632	2.0%
Viscose and stretchable core viscose yarns	2,363	0.3%	26,026	4.7%
Grey and deep grey mélange yarns	135,111	17.6%	48,046	8.6%
Polyester staple fibres	34,478	4.5%	57,193	10.3%
Others	317	0.1%	–	–
	767,907	100.0%	556,566	100.0%

The increase in the revenue of the Group for the six months ended 30 June 2021 was mainly attributable to the increase in sales volume from approximately 44,355 tonnes for the six months ended 30 June 2020 to approximately 54,897 tonnes for the six months ended 30 June 2021. The average selling price of yarn products of the Group also increased 18.7% from approximately RMB11,259 per tonne for the six months ended 30 June 2020 to approximately RMB13,360 per tonne for the six months ended 30 June 2021.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased from approximately RMB25.8 million for the six months ended 30 June 2020 to approximately RMB153.7 million for the six months ended 30 June 2021. The gross profit margin of the Group increased from approximately 4.6% for the six months ended 30 June 2020 to approximately 20.0% for the six months ended 30 June 2021. The increase in gross profit was mainly due to the increase in sales volume and average selling prices of the yarn products. Due to the favourable market conditions driven by economic recovery and rising commodities prices, the textile market experienced a boom in the first half of 2021.

Other Income

Other income of the Group increased from approximately RMB10.5 million for the six months ended 30 June 2020 to approximately RMB21.0 million for the six months ended 30 June 2021, representing an increase of approximately RMB10.5 million or 100.2%. The increase in other income was mainly due to increase in income from scrap sales and government grants.

Distribution and Selling Expenses

Distribution and selling expenses of the Group increased from approximately RMB11.0 million for the six months ended 30 June 2020 to approximately RMB12.2 million for the six months ended 30 June 2021, representing an increase of approximately RMB1.2 million or 10.5%. The increase in distribution and selling expenses was mainly due to the increase in sales volume. Distribution and selling expenses as a percentage of revenue of the Group was approximately 1.6% for the six months ended 30 June 2021 (six months ended 30 June 2020: 2.0%).

Management Discussion and Analysis

Administrative Expenses

Administrative expenses of the Group increased from approximately RMB23.7 million for the six months ended 30 June 2020 to approximately RMB29.1 million for the six months ended 30 June 2021, representing an increase of approximately RMB5.4 million or 22.7%. The increase in administrative expenses was mainly due to the increase in certain government taxes and levies. For the six months ended 30 June 2020, there was waiver of certain government taxes and levies as part of the Pandemic relief measures. For the six months ended 30 June 2021, there were no such relief measures. Administrative expenses as a percentage of revenue of the Group was approximately 3.8% for the six months ended 30 June 2021 (six months ended 30 June 2020: 4.3%).

Finance Costs

Finance costs of the Group decreased from approximately RMB15.5 million for the six months ended 30 June 2020 to approximately RMB12.1 million for the six months ended 30 June 2021, representing a decrease of 22.3% or approximately RMB3.5 million. The decrease in the Group's finance costs was mainly due to i) decrease in interest on an entrusted loan as the Group repaid such loan in the second half of 2020 and ii) decrease in interest on bank loans because the loan prime rates in the PRC were lower in the first half of 2021 as compared with the corresponding period in 2020.

Income Tax (Expense)/Credit

The Group's income tax expense for the six months ended 30 June 2021 was approximately RMB17.1 million, as compared to an income tax credit of approximately RMB0.9 million for the corresponding period in 2020. The Group's effective income tax rate for the six months ended 30 June 2021 was approximately 14.1%. The increase in effective income tax rate was mainly due to the increase in profits in the operating subsidiaries of the Group in the PRC.

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

Profit attributable to owners of the Company for the six months ended 30 June 2021 was approximately RMB102.1 million as compared to a loss attributable to owners of the Company of approximately RMB10.8 million for the six months ended 30 June 2020. The net profit margin of the Group for the six months ended 30 June 2021 was approximately 13.3% as compared with a net loss margin of approximately 1.9% for the six months ended 30 June 2020. The increase in the Group's net profit margin was mainly due to the increase in gross profit.

Earnings/(Loss) per Share

The basic earnings per share of the Company for the six months ended 30 June 2021 was approximately RMB8.15 cents as compared with approximately RMB0.86 cents basic loss per share for the six months ended 30 June 2020. The earnings per share of the Company was due to the net profit for the six months ended 30 June 2021.

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 2021, the Group generated net cash inflow from operating activities. The Group had cash and bank balances of approximately RMB256.6 million (31 December 2020: RMB184.6 million), pledged bank deposits of approximately RMB76.8 million (31 December 2020: RMB91.0 million) at 30 June 2021. The Group's cash and bank balances were mainly held in RMB.

Management Discussion and Analysis

Capital Structure and Pledge of Assets

The Group's interest-bearing borrowings were mainly made in RMB. At 30 June 2021, the Group's interest-bearing borrowings amounted to approximately RMB561.4 million (31 December 2020: RMB508.9 million), RMB511.7 million (91.1%) of which (31 December 2020: RMB472.4 million (92.8%)) was repayable within one year or on demand. The Group's banking facilities were secured by its right-of-use assets, properties, plant and equipment and pledged bank deposits with a carrying value of approximately RMB674.1 million in aggregate (31 December 2020: RMB731.6 million).

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank and other borrowings, lease liabilities and bills payable to total assets, was approximately 37.7% at 30 June 2021 (31 December 2020: 39.2%). Net current liabilities and net assets at 30 June 2021 was approximately RMB184.8 million (31 December 2020: RMB298.8 million) and RMB696.2 million (31 December 2020: RMB629.2 million), respectively.

Foreign Exchange Exposure

The Group has foreign currency cash and bank balances, pledged bank deposits, other receivables, bank and other borrowings, lease liabilities and other payables, which mainly expose the Group to risks in Hong Kong Dollar and United States Dollar. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 30 June 2021 were approximately RMB16.8 million (31 December 2020: RMB6.8 million) and RMB45.6 million (31 December 2020: RMB42.8 million), respectively. The Group had not used any financial instrument for hedging purposes during the six months ended 30 June 2021.

Contingent Liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

Employees, Remuneration and Share Option Scheme

As at 30 June 2021, the Group had a total of 2,962 employees (31 December 2020: 3,046). Remuneration for employees, including the Directors, is determined in accordance with performance, professional experiences and the prevailing market practices. The Group's management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, discretionary bonus will also be granted to certain employees as awards in accordance with individual performance. The Company had adopted a share option scheme on 25 June 2021, under which the Company may grant options to eligible persons including Directors and employees. No share option has been granted pursuant to the scheme since its adoption.

Significant Investments and Material Acquisitions and Disposal of Subsidiaries

The Group has acquired remaining 23% interest in Xinyuan from the minority shareholder in May 2021 at a consideration of RMB16.1 million.

Save as disclosed above, during the six months ended 30 June 2021, the Group did not have any significant investments or acquisitions or disposal of subsidiaries.

Events after the Reporting Period

In order to implement the plan for the construction of a new workshop, the Group has entered into contracts with various vendors to procure the equipment and services needed since July 2021. Among these contracts, three of them were entered into in July 2021 with a third-party vendor to procure certain production equipment for a total consideration of RMB61,110,000. Please refer to the announcements of the Company dated 13 July 2021 and 6 August 2021 for details.

Management Discussion and Analysis

PROSPECTS

In the first half of 2021, with the progress in vaccination programs, different economies started to reopen in 2021 but at different paces. The PRC has been very successful in containing the Pandemic and enjoyed quick recovery in the second half of 2020. The momentum has continued in the first half of 2021. As a result, domestic consumer confidence and retail sales have increased. On the contrary, the countries in South Asia and Southeast Asia have not been able to contain the Pandemic successfully and their manufacturing industries have been adversely affected, resulting in a portion of orders flowing into the PRC.

The gradual recovery of the global economy has stimulated the demand for crude oil and other commodities. The upward moving crude oil price has pushed up the prices of oil-related downstream products, including raw materials for polyester yarn products. Hence, the upward price trend of raw materials contributed to the increase in the selling prices of polyester yarn products in the first half of 2021 accordingly. The above factors have contributed to a booming textile market in the PRC.

The emergence of the Delta variant and other new virus strains and the commencement of unwinding of government support introduce risks and uncertainties to the economic recovery. However, the PRC appears to be in a better position to navigate through the risks and uncertainties given its continuing successful containment of the Pandemic.

The Group is optimistic about the textile market and announced a plan to construct the New Workshop. The Group also acquired the remaining minority interest in Xinyuan to strengthen its interest in the upstream operation. The Group will continue to closely monitor the market conditions and take necessary measures to adjust its inventory level, production capacities, product mix and pricing strategy. The Group will continue to emphasize industrial safety and seek improvement in efficiency in the production process by means of automation. Taking into account the benefits from the enlarged product portfolio and the economies of scale, the Group believes it is well positioned to take advantage of any boom in the textile industry.

Corporate Governance and Other Information

DIVIDENDS

At a meeting held on 30 March 2021, the Board recommended a final dividend of HK2.0 cents per ordinary share for the year ended 31 December 2020 out of the share premium account.

An interim dividend for the six months ended 30 June 2021 of HK1.5 cents per ordinary share was approved and declared by the Board on 27 August 2021.

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 (the "Shares") during the six months ended 30 June 2021.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, 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:

Name of Director	Nature of Interest	Position	Number of Shares	Approximate percentage of shareholding in the Company
Mr. Zheng Hong	Interest of a controlled corporation	Long Position	514,305,000 Shares ^(Note)	41.07%
Mr. Zheng Yongxiang	Beneficial owner	Long Position	92,681,200 Shares	7.40%

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

Save as disclosed above, as at 30 June 2021, none of the Directors (including their spouse and children under 18 years of age) had registered an interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

SHARE OPTION SCHEME

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

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

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

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

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

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

Corporate Governance and Other Information

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

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

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

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

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

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

No option has been granted under the Scheme 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 2021 were rights to acquire benefits by means of the acquisition of Share in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2021, so far as is known to any Director or chief executive of the Company, the persons or corporations (other than a Director or chief executive of the Company) who had interest or short positions in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept under Section 336 of the SFO were as follows:

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

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

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, during the six months ended 30 June 2021, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct governing the Directors’ securities transactions. The Company confirms that, having made specific enquiry of all the Directors, each of them has complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2021.

AUDIT COMMITTEE

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 financial statements for the six months ended 30 June 2021.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Revenue	6	767,907	556,566
Cost of sales		(614,201)	(530,763)
Gross profit		153,706	25,803
Other income	7	20,976	10,477
Other gains and losses	8	(384)	(52)
Distribution and selling expenses		(12,170)	(11,012)
Administrative expenses		(29,050)	(23,667)
Finance costs	9	(12,057)	(15,508)
Profit/(Loss) before tax		121,021	(13,959)
Income tax (expense)/credit	10	(17,085)	856
Profit/(Loss) for the period	11	103,936	(13,103)
Other comprehensive income for the period, net of tax		–	–
Total comprehensive income for the period		103,936	(13,103)
Profit/(Loss) and total comprehensive income for the period attributable to:			
Owners of the Company		102,081	(10,794)
Non-controlling interests		1,855	(2,309)
		103,936	(13,103)
Earnings/(Loss) per share	13		
Basic		RMB8.15 cents	(RMB0.86 cents)
Diluted		N/A	N/A

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Note	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
Non-current assets			
Property, plant and equipment	14	884,523	911,698
Right-of-use assets	15	72,450	74,906
Deposits on acquisition of property, plant and equipment		103	11
Goodwill		20,617	20,617
		977,693	1,007,232
Current assets			
Inventories	16	298,220	182,665
Trade and other receivables	17	36,242	37,505
Bills receivable	18	1,837	5,570
Pledged bank deposits		76,799	90,976
Cash and bank balances		256,593	184,606
		669,691	501,322
Current liabilities			
Trade and other payables	19	215,430	213,820
Contract liabilities		53,578	16,821
Bills payable	20	59,706	83,000
Deferred income		264	264
Lease liabilities		3,909	16,512
Bank and other borrowings	21	507,782	455,899
Current tax liabilities		13,790	13,783
		854,459	800,099
Net current liabilities		(184,768)	(298,777)
Total assets less current liabilities		792,925	708,455

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Note	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
Non-current liabilities			
Deferred income		6,698	6,830
Lease liabilities		344	1,046
Bank and other borrowings	21	49,413	35,476
Deferred tax liabilities		40,228	35,868
		96,683	79,220
NET ASSETS			
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	22	101,989	101,989
Reserves		594,253	529,913
		696,242	631,902
Non-controlling interests		–	(2,667)
TOTAL EQUITY			
		696,242	629,235

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Unaudited								
	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	PRC Statutory reserves	Special reserve	Retained profits	Total			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2020	101,989	73,903	114,508	148,739	129,770	568,909	(2,721)	566,188	
Total comprehensive income for the period	-	-	-	-	(10,794)	(10,794)	(2,309)	(13,103)	
Transfer	-	-	114	-	(114)	-	-	-	
Forfeiture of unclaimed dividends	-	-	-	-	243	243	-	243	
At 30 June 2020	101,989	73,903	114,622	148,739	119,105	558,358	(5,030)	553,328	
At 1 January 2021	101,989	73,903	125,733	148,739	181,538	631,902	(2,667)	629,235	
Total comprehensive income for the period	-	-	-	-	102,081	102,081	1,855	103,936	
Acquisition of remaining interest in a subsidiary (Note 24)	-	-	-	-	(16,912)	(16,912)	812	(16,100)	
Dividend (Note 12)	-	(20,829)	-	-	-	(20,829)	-	(20,829)	
At 30 June 2021	101,989	53,074	125,733	148,739	266,707	696,242	-	696,242	

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six month ended 30 June	
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	20,865	52,685
CASH FLOW FROM INVESTING ACTIVITIES		
Placement of pledged bank deposits	(41,799)	(97,851)
Withdrawal of pledged bank deposits	55,976	28,807
Interest received	1,866	557
Purchase of financial assets at fair value through profit or loss	–	(486,500)
Proceeds from disposal of financial assets at fair value through profit or loss	–	458,165
Purchase of property, plant and equipment	(1,953)	(6,482)
Proceeds from disposal of property, plant and equipment	566	246
Deposits paid for acquisition of property, plant and equipment	(103)	(583)
Acquisition of remaining interest in a subsidiary	(16,100)	–
NET CASH USED IN INVESTING ACTIVITIES	(1,547)	(103,641)
CASH FLOW FROM FINANCING ACTIVITIES		
Advance from a related company	52,000	54,500
Repayment to a related company	(52,000)	(54,500)
Proceeds from bank and other borrowings	312,702	255,120
Repayment of bank and other borrowings	(246,490)	(238,890)
Repayment of principal element of lease liabilities	(13,543)	(3,192)
Withdrawal of restricted bank deposit	–	500
NET CASH GENERATED FROM FINANCING ACTIVITIES	52,669	13,538
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	71,987	(37,418)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	184,606	135,585
CASH AND CASH EQUIVALENTS AT END OF PERIOD	256,593	98,167
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	256,593	95,167
Time deposit with original maturity with less than three months	–	3,000
	256,593	98,167

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

1. GENERAL INFORMATION

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

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

This unaudited condensed consolidated financial information for the six months ended 30 June 2021 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 (the “**IASB**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This unaudited condensed consolidated financial information should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2020. The accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated financial information are consistent with those used in the audited consolidated financial statements of the Group for the year ended 31 December 2020 and there have been no significant changes in the financial risk management policies for the six months ended 30 June 2021.

The Group continues to adopt the going concern basis in preparing its unaudited condensed consolidated financial information. At 30 June 2021, the Group’s current liabilities exceeded its current assets by approximately RMB184,768,000. 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 unaudited condensed consolidated financial information has been prepared on a going concern basis as the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

2. BASIS OF PREPARATION (Continued)

- (a) The banking facilities from the Group's bankers for its working capital requirements for the next twelve months will be available as and when required, having regard to the following:
 - (i) The Group can successfully obtain its bankers' approval for rollover of its short term bank borrowings. Up to the date of the unaudited condensed consolidated financial information authorised for issue, certain bankers have agreed to renew the Group's bank borrowings amounting to approximately RMB20,000,000 currently included in current liabilities at 30 June 2021.
 - (ii) Subsequent to the reporting date, the Group has also successfully obtained new banking facilities of approximately RMB10,000,000.
 - (iii) The Group will also continue to seek for further financing. Certain existing property, plant and equipment and right-of-use assets can be offered as security for further financing.
- (b) In the light of the COVID-19 pandemic, the Group is closely monitoring the latest developments and will continue to assess the impact of the COVID-19 pandemic, as well as any change in government policy, on the Group's operations from time to time and adjust its production and sales strategies for its business to generate sufficient operating cash flows.

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

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

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

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 effective for its accounting year beginning on 1 January 2021. IFRSs comprise International Financial Reporting Standards (“IFRS”); International Accounting Standards; and Interpretations. The adoption of these new development of IFRSs does not have any impact on the Group’s unaudited condensed consolidated financial information. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

The accounting policies applied in this unaudited condensed consolidated financial information are consistent with those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2020, except for the first time adoption of new and revised IFRSs, which are mandatorily effective for the period beginning on or after 1 January 2021 as set out below:

Amendments to IFRS 16 COVID-19 Related Rent Concessions

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The adoption of these new and revised standards does not have significant impact on this unaudited condensed consolidated financial information.

4. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

4. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosure of level in fair value hierarchy:

At 30 June 2021

Description	Fair value measurement using Level 2 (unaudited) RMB'000
Recurring fair value measurements:	
Financial assets	
Financial assets at fair value through profit or loss	
Bills receivable	1,837

At 31 December 2020

Description	Fair value measurement using Level 2 (audited) RMB'000
Recurring fair value measurements:	
Financial assets	
Financial assets at fair value through profit or loss	
Bills receivable	5,570

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

Level 2 fair value measurements

Description	Valuation technique	Key input	Fair value	
			At 30 June 2021 (unaudited) RMB'000	At 31 December 2020 (audited) RMB'000
Bills receivable	Discounted cash flows	Discount rate	1,837	5,570

There were no changes in the valuation technique used.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

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 director of the Company.

During the six months ended 30 June 2021, the CODM has identified the following two reportable segments under IFRS 8 “Operating Segments”. No operating segments have been aggregated to form the following reportable segments.

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

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

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

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

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

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

5. SEGMENT INFORMATION (Continued)

Information about reportable segment profit or loss:

	Yarns (unaudited) RMB'000	Staple Fibres (unaudited) RMB'000	Total (unaudited) RMB'000
Six months ended 30 June 2021			
Revenue from external customers	733,429	34,478	767,907
Intersegment revenue	–	49,423	49,423
Interest income	1,858	7	1,865
Interest expense	(10,045)	(2,000)	(12,045)
Depreciation	(33,539)	(1,626)	(35,165)
Other material non-cash item: Reversal of allowance for inventories	–	152	152
Profit of reportable segments	107,144	7,402	114,546

	Yarns (unaudited) RMB'000	Staple Fibres (unaudited) RMB'000	Total (unaudited) RMB'000
Six months ended 30 June 2020			
Revenue from external customers	499,373	57,193	556,566
Intersegment revenue	–	21,147	21,147
Interest income	528	5	533
Interest expense	(13,401)	(2,080)	(15,481)
Depreciation	(31,450)	(1,376)	(32,826)
Other material non-cash item: Allowance for inventories	–	(3,857)	(3,857)
Loss of reportable segments	(3,920)	(10,015)	(13,935)

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

5. SEGMENT INFORMATION (Continued)

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

	Six months ended 30 June	
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Revenue		
Total revenue of reportable segments	817,330	577,713
Elimination of intersegment revenue	(49,423)	(21,147)
Group's revenue	767,907	556,566
Profit or loss		
Total profit/(loss) of reportable segments	114,546	(13,935)
Elimination of intersegment losses/(gains)	8	(1,180)
Adjusted for income in relation to government grants	7,807	3,361
Unallocated amounts:		
Other income, gains and losses	(150)	(725)
Administrative and other expenses	(1,190)	(1,480)
Income tax (expense)/credit	(17,085)	856
Group's profit/(loss) for the period	103,936	(13,103)

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

6. REVENUE

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

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products for the six months ended 30 June 2021 is as follows:

	Six months ended 30 June	
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Revenue from contracts with customers within the scope of IFRS 15 Revenue from Contracts with Customers		
Disaggregated by major products		
– Sales of yarns	733,429	499,373
– Sales of staple fibres	34,478	57,193
	767,907	556,566

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

7. OTHER INCOME

	Six months ended 30 June	
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Interest income	1,866	557
Government grants	7,807	3,361
Income from scrap sales	10,765	6,045
Rental income	501	486
Others	37	28
	20,976	10,477

8. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Net foreign exchange gain/(loss)	251	(846)
(Loss)/Gain on disposal of property, plant and equipment	(635)	62
Fair value gain on financial assets at fair value through profit or loss	–	732
	(384)	(52)

9. FINANCE COSTS

	Six months ended 30 June	
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Interest on bank and other borrowings	11,920	13,562
Interest on entrusted loans	–	1,525
Interest on lease liabilities	137	421
	12,057	15,508

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

10. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Current tax:		
PRC Corporate Income Tax ("CIT")		
Provision for the period	14,275	386
Over-provision in prior year	(1,550)	–
Deferred tax	4,360	(1,242)
	17,085	(856)

No provision for Hong Kong Profits Tax for the six months ended 30 June 2021 and 2020 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 CIT in the PRC which is calculated at the prevailing tax rate on the taxable income of the subsidiaries in the PRC.

Jiangxi Jinyuan, the Company's subsidiary, has been recognised as a state-encouraged high-new technology enterprise since 2014. As such, the CIT rate for Jiangxi Jinyuan is a reduced tax rate of 15% for the periods ended 30 June 2021 and 2020.

Huachun, the Company's subsidiary, has been recognised as a state-encouraged high-new technology enterprise since 2019. As such, the CIT rate for Huachun is a reduced tax rate of 15% for the periods ended 30 June 2021 and 2020.

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

According to the PRC CIT law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned from year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

11. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Depreciation		
– Owned property, plant and equipment	32,527	30,190
– Right-of-use assets	2,919	2,947
Cost of inventories sold, including	614,201	530,763
– (Reversal)/Allowance for inventories	(152)	3,857

12. DIVIDENDS

At a meeting held on 30 March 2021, the Board of Directors of the Company recommended a final dividend of HK2.0 cents per ordinary share for the year ended 31 December 2020 out of the share premium account. The final dividend amounted to approximately RMB20,829,000 has been recognised as a liability in the current period in which the dividend was approved by the Company's shareholders.

At a meeting held on 27 August 2021, the Board of Directors declared an interim dividend of HK1.5 cents per ordinary share. This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated financial information but will be reflected as an appropriation of retained profits for the year ending 31 December 2021.

13. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Earnings/(Loss)		
Earnings/(Loss) for the purpose of calculating basic earnings/(loss) per share (profit/(loss) for the period attributable to owners of the Company)	102,081	(10,794)

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

13. EARNINGS/(LOSS) PER SHARE (Continued)

	Six months ended 30 June	
	2021 (unaudited) '000	2020 (unaudited) '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	1,252,350	1,252,350

No diluted earnings/(loss) per share has been presented as there were no potential dilutive shares outstanding for the six months ended 30 June 2021 and 2020.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with a cost of approximately RMB6,553,000 (unaudited) (for the six months ended 30 June 2020: RMB6,572,000 (unaudited)). These acquisitions are mainly in relation to its manufacturing plants in the PRC.

Items of property, plant and equipment with a net carrying amount of approximately RMB1,201,000 (unaudited) were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB184,000 (unaudited)).

15. RIGHT-OF-USE ASSETS

At 30 June 2021, the Group's right-of-use assets represent leasehold land and properties and plant and machinery under leases.

16. INVENTORIES

	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
Raw materials	148,682	129,745
Work in progress	18,299	15,927
Finished goods	131,349	37,255
	298,330	182,927
Less: Allowance for inventories	(110)	(262)
	298,220	182,665

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

17. TRADE AND OTHER RECEIVABLES

	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
Trade receivables	14,028	10,003
Advance payments to suppliers	13,384	21,886
Prepayments and other receivables	4,753	1,380
Other tax recoverables	4,077	4,236
	36,242	37,505

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

	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
0 – 30 days	9,204	8,538
31 – 90 days	3,560	630
91 – 180 days	476	4
Over 365 days	788	831
	14,028	10,003

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

18. BILLS RECEIVABLE

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

	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
0 – 30 days	1,179	1,125
31 – 90 days	100	1,727
91 – 180 days	558	2,718
	1,837	5,570

Included in bills receivable at 30 June 2021 was an amount of approximately RMB1,258,000 (unaudited) (at 31 December 2020: RMB5,370,000 (audited)) that were transferred to suppliers by endorsing those bills receivable on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amounts of the bills receivable and the corresponding liabilities.

	Bills receivable endorsed to suppliers with full recourse	
	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
Carrying amount of recognised financial assets	1,258	5,370
Carrying amount of corresponding liabilities not set-off	(1,258)	(5,370)

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

19. TRADE AND OTHER PAYABLES

	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
Trade payables	31,234	41,904
Other payables	7,546	7,387
Other tax payables	15,002	20,252
Accrued salaries and wages	15,095	18,530
Other accrued charges	120,316	124,928
Payables for acquisition of property, plant and equipment	5,408	819
Dividend payables	20,829	–
	215,430	213,820

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

	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
0 – 30 days	26,761	27,356
31 – 90 days	2,987	10,256
91 – 180 days	625	3,432
181 – 365 days	1	–
Over 365 days	860	860
	31,234	41,904

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

20. BILLS PAYABLE

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

	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
0 – 30 days	6,988	10,293
31 – 90 days	5,755	9,329
91 – 180 days	2,022	31,155
181 – 365 days	44,941	32,223
	59,706	83,000

21. BANK AND OTHER BORROWINGS

	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
Secured	481,984	434,557
Unsecured	75,211	56,818
	557,195	491,375
Amount payable within one year	507,782	455,899
Amount payable over one year	49,413	35,476
	557,195	491,375

At 30 June 2021, certain assets of the Group have been pledged as collateral for secured bank and other borrowings.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

22. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 31 December 2020 (audited) and 30 June 2021 (unaudited)	10,000,000	1,000,000

	Number of shares '000	HK\$'000	RMB'000
Issued and fully paid:			
At 31 December 2020 (audited) and 30 June 2021 (unaudited)	1,252,350	125,235	101,989

23. CAPITAL COMMITMENTS

	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
Acquisition of property, plant and equipment and construction of new production facilities and infrastructure	7,665	1,578

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

24. ACQUISITION OF REMAINING INTEREST IN A SUBSIDIARY

During the period, the Group acquired the remaining 23% equity interest in Xinyuan from a non-controlling shareholder at a consideration of RMB16,100,000, which increased the Group's shareholding in Xinyuan from 77% to 100%.

The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	Six months ended 30 June 2021 (unaudited) RMB'000
Share of net liabilities in the subsidiary acquired	(812)
Consideration paid	(16,100)
Loss on acquisition recognised directly in equity	(16,912)

25. RELATED PARTY TRANSACTIONS

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

(a) Transactions with a related party

	Six months ended 30 June	
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Short-term employee benefits in relation to a close family member of a key management personnel	225	–

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

25. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

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

	Six months ended 30 June	
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Short term benefits	1,924	1,795

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

At 30 June 2021, included in accrued salaries and wages was an amount of approximately RMB41,000 (unaudited) (at 31 December 2020: RMB41,000 (audited)) being accrued remuneration in relation to key management personnel which is unsecured, interest-free and settled in cash.

(c) Balances with a related party

	30 June	31 December
	2021 (unaudited) RMB'000	2020 (audited) RMB'000
Amount due to a related company – 江西寶源彩紡有限公司 (for identification purpose, Jiangxi Baoyuan Colourful Textile Co. Limited (“Jiangxi Baoyuan”) (Note)	–	–

Jiangxi Baoyuan is considered as a related company of the Group as at 30 June 2021 89% (at 31 December 2020: 85%) of its equity interest is owned by a close family member of two directors.

Note:

During the six months ended 30 June 2021, certain unsecured loans ranging from RMB3,000,000 to RMB40,000,000 were advanced from Jiangxi Baoyuan. These interest-free loans were fully settled during the six months ended 30 June 2021 (during the six months ended 30 June 2020, certain unsecured loans ranging from RMB3,000,000 to RMB17,000,000 were advanced from Jiangxi Baoyuan).

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2021

25. RELATED PARTY TRANSACTIONS (Continued)

(d) Other transactions with related parties

At 30 June 2021 and 31 December 2020, certain banking facilities were guaranteed by the executive director and a close family member of the two directors of the Company.

26. EVENTS AFTER THE REPORTING PERIOD

In order to implement the plan for the construction of a new workshop, the Group entered into three contracts in July 2021 with a third party vendor to procure certain production equipment for a total consideration of RMB61,110,000.

27. CONTINGENT LIABILITIES

At 30 June 2021, the Group did not have any significant contingent liabilities (at 31 December 2020: Nil).

28. APPROVAL OF FINANCIAL INFORMATION

The unaudited condensed consolidated financial information was approved and authorised for issue by the Board of Directors on 27 August 2021.