

CHINA WEAVING MATERIALS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)


Stock code: 3778



Interim Report

2018

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Corporate Information

BOARD OF DIRECTORS (THE "BOARD")

Executive Directors

Mr. Zheng Hong (*Chairman*)

Mr. Zheng Yongxiang

Non-Executive Director

Mr. Sze Irons, BBS, JP

Independent Non-Executive Directors

Mr. Ng Wing Ka JP

Ms. Zhang Baixiang

Mr. Xu Yiliang

BOARD COMMITTEES

Audit Committee

Ms. Zhang Baixiang (*Chairman*)

Mr. Ng Wing Ka JP

Mr. Xu Yiliang

Remuneration Committee

Mr. Ng Wing Ka JP (*Chairman*)

Ms. Zhang Baixiang

Mr. Zheng Hong

Mr. Xu Yiliang

Nomination Committee

Mr. Zheng Hong (*Chairman*)

Mr. Ng Wing Ka JP

Ms. Zhang Baixiang

Mr. Xu Yiliang

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

Corporate Information

LEGAL ADVISERS

As to Hong Kong Law:

Luk and Partners
In Association with
Morgan, Lewis and Bockius

As to PRC Law:

Jiangxi Zhiquan Law Offices

AUDITOR

RSM Hong Kong
Certified Public Accountants

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 Beijing
(Nanchang Branch)
Bank of Communications Limited
(Nanchang Donghu Sub-branch)
Bank of Jiujiang
(Fengxin Sub-branch)
China CITIC Bank
(Nanchang Branch)
China Construction Bank Corporation
(Fengxin Sub-branch)
China Everbright Bank Co. Ltd.
(Fuzhou Nanmen Sub-branch)
Fengxin Rural Commercial Bank
Industrial and Commercial Bank of China Limited
(Fengxin Sub-branch)
Industrial Bank Co. Ltd.
(Nanchang Branch)
Nanyang Commercial Bank (China) Limited
(Shenzhen Branch)
Shanghai Pudong Development Bank Co. Ltd.
(Nanchang Branch)
Sumitomo Mitsui Finance and Leasing (China) Co., Ltd
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

COMPANY WEBSITE

www.chinaweavingmaterials.com

STOCK CODE

3778

Management Discussion and Analysis

MARKET OVERVIEW

In the first half of 2018, the United States (the “**US**”) and some of the European Union (the “**EU**”) countries have witnessed signs of economic recovery but the growth rates have not been robust. The gross domestic product (“**GDP**”) growth rate in the PRC maintained at a rate of 6.8% for the first half of 2018 as compared to 6.9% for the full year of 2017. Instead of pursuing economic growth in quantitative terms, the PRC government is now keen on pursuing sustainable development and putting emphasis on prevention of significant risk, pollution control and poverty reduction.

In the first half of 2018, oil prices have been trending upward and trading at between US\$60 and US\$75 per barrel for most of the time. Relative stability in prices of oil related raw materials translated into more stable market conditions for polyester yarns related products.

The PRC government has continued with the policy of direct subsidy to cotton farmers in Xinjiang and has orderly auctioned the national cotton reserve. The domestic cotton prices in the PRC have stabilized in the first half of 2018 and have been trading at around RMB15,500 per tonne for most of the time without showing very large fluctuations. The international cotton prices have been between around US77 cents and US93 cents per pound in the first half of 2018. The stabilization of both domestic cotton prices and international cotton prices has largely narrowed their price gap and has created a better competitive environment for the domestic cotton yarn manufacturers with few or no import quotas.

A relatively more stable environment in terms of the prices of raw materials and the continuing increase in internal consumption in the domestic economy in the PRC has contributed to favourable market conditions for the textile industry as a whole. However, the stepping up of the enforcement of environmental protection regulations by the PRC government has affected corporations involved in dyeing and printing business, forcing many smaller market players into suspension or closure. This may affect their upstream suppliers and downstream customers. Other unfavourable factors include weak overseas demand, keen domestic competition in the PRC due to excess capacities and competition from manufacturing establishments in the South East Asia. The recent decision by President Trump of the US to impose import tariff on Chinese import goods and the subsequent retaliation by the PRC government also increased the risk of full scale trade war between the two countries. These factors have introduced risk and uncertainties for the industry as a whole.

BUSINESS REVIEW

The sales volume of yarn products of China Weaving Materials Holdings Limited (the “**Company**”) together with its subsidiaries (the “**Group**”) increased by 4.1% from approximately 54,516 tonnes for the six months ended 30 June 2017 to approximately 56,775 tonnes for the six months ended 30 June 2018. The production volume of yarn products of the Group slightly decreased by 0.8% from approximately 58,248 tonnes for the six months ended 30 June 2017 to approximately 57,777 tonnes for the six months ended 30 June 2018. The revenue from the yarn products of the Group increased by 15.0% to approximately RMB798.0 million for the six months ended 30 June 2018 as compared to RMB693.7 million for the six months ended 30 June 2017. The gross profit and the profit attributable to the owners of the Company for the six months ended 30 June 2018 were approximately RMB91.5 million and approximately RMB44.8 million, respectively.

In the first half of 2018, the Group has continued to rationalize its production capacities and further diversified its product portfolio. The Group is offering around 100 types of yarn products with different material mix and counts to satisfy the needs of different customers.

Management Discussion and Analysis

The Group's subsidiary company, Jiangxi Xinyuan Special Fibres Company Limited ("Xinyuan") has continued to rationalize its production in the first half of 2018. Xinyuan is engaged in the manufacture and trading of polyester staple fibres ("PSF") which are one of the basic raw materials of the Group for the production of polyester yarns. The sales volume of PSF increased by 130.7% from approximately 4,185 tonnes for the six months ended 30 June 2017 to approximately 9,653 tonnes for the six months ended 30 June 2018. The production volume of PSF increased by 14.7% from approximately 8,380 tonnes for the six months ended 30 June 2017 to approximately 9,608 tonnes for the six months ended 30 June 2018.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the six months ended 30 June 2018 was approximately RMB837.7 million, representing an increase of approximately RMB131.3 million, or 18.6%, 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 2018		Six months ended 30 June 2017	
	RMB'000		RMB'000	
Polyester yarns	269,857	32.2%	209,190	29.6%
Polyester-cotton and viscose-cotton blended yarns	346,492	41.4%	291,985	41.4%
Cotton yarns	18,536	2.2%	23,411	3.3%
Viscose and stretchable core viscose yarns	67,500	8.1%	58,050	8.2%
Grey and deep grey mélangé yarns	95,651	11.4%	111,017	15.7%
Polyester staple fibre	36,285	4.3%	7,469	1.1%
Raw materials	2,503	0.3%	473	0.1%
Others	896	0.1%	4,799	0.6%
	837,720	100.0%	706,394	100.0%

The increase in the revenue of the Group for the six months ended 30 June 2018 was mainly attributable to the increase in the average selling price of yarn products of the Group of 10.5% from approximately RMB12,724 per ton for the six months ended 30 June 2017 to approximately RMB14,056 per ton for the six months ended 30 June 2018. The sales volume also increased by approximately 4.1% for the six months ended 30 June 2018 as compared with the corresponding period in 2017.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased from approximately RMB62.5 million for the six months ended 30 June 2017 to approximately RMB91.5 million for the six months ended 30 June 2018. The gross profit margin of the Group increased from approximately 8.8% for the six months ended 30 June 2017 to approximately 10.9% for the six months ended 30 June 2018. The increase in gross margin was mainly due to increase in sales. The increase in sales was mainly due to the substantial increase of approximately 10.5% in the average selling prices of the yarn products of the Group and moderate increase in sales volume of approximately 4.1%. Due to improvement in the market conditions in the first half of 2018, the rate of increase in the selling prices of the yarn products of the Group, in particular, polyester yarns, was higher than the rate of increase of the prices of raw materials when compared with that of the corresponding period in 2017.

Management Discussion and Analysis

Other Income

Other income of the Group increased from approximately RMB11.4 million for the six months ended 30 June 2017 to approximately RMB13.7 million for the six months ended 30 June 2018, representing an increase of approximately RMB2.3 million or 20.2%. The increase in other income was mainly due to increase in income from scrap sales and government grants.

Other Gains and Losses

Other losses for the six months ended 30 June 2018 was approximately RMB1.5 million while other gains for the six months ended 30 June 2017 was approximately RMB16.6 million. Other gains for the six months ended 30 June 2017 were mainly due to fair value gain on the derivative component of the Group's convertible bond of approximately RMB14.5 million and net foreign exchange gain of RMB3.6 million. Those gains were partly offset by the unrealized loss on forward contract of RMB1.3 million. For the six months ended 30 June 2018, the fair value gain on the derivative component of the convertible bond did not recur as it was fully redeemed in the second half of 2017. The other losses for the period mainly represented the net exchange loss and loss on disposal of property, plant and equipment of approximately RMB1.1 million and RMB0.6 million respectively.

Distribution and Selling Expenses

Distribution and selling expenses of the Group remained about the same at approximately RMB11.9 million for the six months ended 30 June 2018 as compared to approximately RMB11.7 million for the six months ended 30 June 2017. Distribution and selling expenses as a percentage of revenue of the Group was approximately 1.4% for the six months ended 30 June 2018 (six months ended 30 June 2017: 1.7%).

Administrative Expenses

Administrative expenses of the Group increased from approximately RMB24.4 million for the six months ended 30 June 2017 to approximately RMB25.7 million for the six months ended 30 June 2018, representing an increase of approximately RMB1.3 million or 5.3%. The increase in administrative expenses was mainly due to increase in directors' remuneration. Administrative expenses as a percentage of revenue of the Group was approximately 3.1% for the six months ended 30 June 2018 (six months ended 30 June 2017: 3.5%).

Finance Costs

Finance costs of the Group decreased from approximately RMB29.5 million for the six months ended 30 June 2017 to approximately RMB17.0 million for the six months ended 30 June 2018, representing a decrease of 42.4% or approximately RMB12.5 million. The decrease in the Group's finance costs was mainly due to decrease in interest on the Group's convertible bond resulting from its full redemption in the second half of 2017.

Income Tax Expense

The Group's effective income tax rate for the six months ended 30 June 2018 was approximately 12.2%, as compared to 18.9% for the corresponding period in 2017. The decrease in effective income tax rate was mainly due to the utilization of tax loss carried forward by Jiangxi Huachun Color Spinning Technology Development Co., Ltd. ("Huachun"), the Group's subsidiary in the PRC, for the six months ended 30 June 2018.

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 2018 was approximately RMB44.8 million, representing an increase of approximately RMB22.5 million, or 100.9%, as compared to that for the six months ended 30 June 2017. The net profit margin of the Group for the six months ended 30 June 2018 was approximately 5.3% representing an increase of 2.1 percentage points as compared with 3.2% for the six months ended 30 June 2017. The increase in the Group's net profit was mainly due to the increase in gross profit and decrease in finance cost, partially offset by the decrease in other gains.

Management Discussion and Analysis

Earnings per Share

The basic earnings per share of the Company for the six months ended 30 June 2018 was approximately RMB3.58 cents, representing an increase of approximately 101.1% as compared with approximately RMB1.78 cents for the six months ended 30 June 2017. The increase in basic earnings per share of the Company was due to the increase in net profit for the six months ended 30 June 2018. The diluted earnings per share of the Company increased from approximately RMB1.14 cents for the six months ended 30 June 2017 to approximately RMB3.58 cents (equals basic earnings per share) for the six months ended 30 June 2018, representing an increase of approximately 214.0% or RMB2.44 cents. The increase in diluted earnings per share was due to the Company early redeemed the convertible bond in the second half of 2017, and no dilutive effect in the first half of 2018.

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 2018, the Group generated net cash inflow from operating activities. The Group had cash and bank balances of approximately RMB54.0 million (31 December 2017: RMB57.8 million) and pledged bank deposits of approximately RMB71.5 million (31 December 2017: RMB46.3 million) at 30 June 2018. The Group's cash and bank balances were mainly held in Hong Kong Dollars, US Dollars and Renminbi ("RMB").

Capital Structure and Pledge of Assets

The Group's interest-bearing borrowings were mainly made in RMB and Hong Kong Dollars. At 30 June 2018, the Group's interest-bearing borrowings amounted to approximately RMB500.7 million (31 December 2017: RMB530.9 million), RMB461.9 million (92.3%) of which (31 December 2017: RMB465.5 million (87.7%)) was repayable within one year or on demand. The Group's banking facilities were secured by its land use rights, properties, plant and equipment and pledged bank deposits with a carrying value of approximately RMB849.7 million in aggregate (31 December 2017: RMB767.2 million). The share capital of a subsidiary company of the Group was also pledged to secure the Group's banking facilities.

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank borrowings, finance lease payables and bills payable to total assets, was approximately 42.3% at 30 June 2018 (31 December 2017: 41.9%). Net current liabilities and net assets at 30 June 2018 was approximately RMB494.1 million (31 December 2017: RMB525.3 million) and approximately RMB584.6 million (31 December 2017: RMB541.5 million), respectively.

Foreign Exchange Exposure

The Group has foreign currency cash and bank balances, pledged bank deposits, trade and other receivables, bills payable, bank borrowings, finance lease payable and other payables, 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 at 30 June 2018 were approximately RMB4.2 million (31 December 2017: RMB15.5 million) and RMB25.2 million (31 December 2017: 29.6million), respectively. The Group had not used any financial instrument for hedging purposes during the six months ended 30 June 2018.

Contingent Liabilities

At 30 June 2018, the Group did not have any contingent liabilities.

Management Discussion and Analysis

Employees, Remuneration and Share Option Scheme

At 30 June 2018, the Group had a total of 3,263 employees (31 December 2017: 3,073). 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 2018, the Group did not have any significant investments or acquisitions or sales of subsidiaries.

PROSPECTS

A relatively more stable environment in terms of the prices of raw materials and the continuing increase in internal consumption in the domestic economy in the PRC has contributed to favourable market conditions for the industry. However, unfavourable factors including impact of environment protection regulations, poor overseas demand, keen domestic and overseas competition and escalation in trade conflict between the US and PRC have introduced risk and uncertainties to the industry.

In the first half of 2018, the Group has continued to rationalise its production capacities and further diversified its product portfolio. The Group is offering around 100 types of yarns with different material mix and counts to satisfy the needs of different customers. The Group has begun its upward vertical integration by establishing Xinyuan, which is engaged in the manufacturing of polyester staple fibres.

Looking forward, the sluggish overseas demand, fierce domestic and overseas competition and external uncertainties 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 the economies of scale, 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

DIVIDEND

The Board does not recommend any dividend in respect of the six months ended 30 June 2018.

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 ("**Shares**") during the six months ended 30 June 2018.

DIRECTORS' INTEREST IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, 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 ⁽¹⁾	41.07%
Mr. Sze Irons BBS, JP	Interest of a controlled corporation	Long position	135,135,000 Shares ⁽²⁾	10.79%
Mr. Zheng Yongxiang	Beneficial owner	Long position	43,005,200 Shares	3.43%

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.

Save as disclosed above, as at 30 June 2018, 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 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 3.3 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, (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 year 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 2018, so far as is known to any Director or chief executive of the Company, the persons or corporations (other than Directors 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 ⁽¹⁾	Beneficial owner	Long position	514,305,000 Shares	41.07%
Flourish Talent ⁽²⁾	Beneficial owner	Long position	135,135,000 Shares	10.79%
Da Yu Investments ⁽³⁾	Beneficial owner	Long position	67,567,500 Shares	5.40%
Ms. Xie Meijing ⁽³⁾	Interest of a controlled corporation	Long position	67,567,500 Shares	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 2018, the Company had complied with the code provisions of the existing Corporate Governance Code (the "**CG Code**") and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. In respect of code provision C.2.5 of the CG Code, the Company has not set up an Internal Audit ("**IA**") function. 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 review the need of an IA function on an annual basis.

Corporate Governance and Other Information

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 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 2018.

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 reviewed the unaudited condensed consolidated financial information for the six months ended 30 June 2018.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Note	Six months ended 30 June	
		2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Revenue	7	837,720	706,394
Cost of sales		(746,230)	(643,918)
Gross profit		91,490	62,476
Other income	8	13,725	11,428
Other gains and losses	9	(1,450)	16,618
Distribution and selling expenses		(11,924)	(11,680)
Administrative expenses		(25,714)	(24,426)
Finance costs	10	(17,012)	(29,531)
Profit before tax		49,115	24,885
Income tax expense	11	(5,997)	(4,704)
Profit and total comprehensive income for the period	12	43,118	20,181
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		44,827	22,319
Non-controlling interests		(1,709)	(2,138)
		43,118	20,181
Earnings per share	14		
Basic		RMB3.58 cents	RMB1.78 cents
Diluted		RMB3.58 cents	RMB1.14 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Note	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Non-current assets			
Property, plant and equipment	15	1,078,138	1,092,147
Prepaid lease payments		42,903	43,279
Intangible asset		–	17
Deposits on acquisition of property, plant and equipment		2,032	1,163
Goodwill		20,617	20,617
Deferred tax assets		2,320	2,368
		1,146,010	1,159,591
Current assets			
Inventories	16	251,660	244,793
Trade and other receivables	17	52,908	34,123
Bills receivable	18	16,785	21,834
Prepaid lease payments		1,079	1,075
Pledged bank deposits		71,481	46,276
Cash and bank balances		53,974	57,796
		447,887	405,897
Current liabilities			
Trade and other payables	19	296,950	335,203
Bills payable	20	173,744	121,824
Deferred income		227	227
Finance lease payable		16,648	2,875
Bank borrowings	21	445,213	462,649
Current tax liabilities		9,173	8,462
		941,955	931,240
Net current liabilities		(494,068)	(525,343)
Total assets less current liabilities		651,942	634,248

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Note	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Non-current liabilities			
Deferred income		7,596	7,710
Bank borrowings	21	38,829	65,340
Deferred tax liabilities		20,910	19,709
		67,335	92,759
NET ASSETS			
		584,607	541,489
Capital and reserves			
Share capital	22	101,989	101,989
Reserves		454,688	409,861
Equity attributable to owners of the Company			
Non-controlling interests		556,677	511,850
		27,930	29,639
TOTAL EQUITY			
		584,607	541,489

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	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	
At 1 January 2017	101,989	73,903	78,049	148,739	58,877	461,557	31,987	493,544
Profit/(Loss) and total comprehensive income for the period	-	-	-	-	22,319	22,319	(2,138)	20,181
At 30 June 2017	101,989	73,903	78,049	148,739	81,196	483,876	29,849	513,725
At 1 January 2018	101,989	73,903	86,334	148,739	100,885	511,850	29,639	541,489
Profit/(Loss) and total comprehensive income for the period	-	-	-	-	44,827	44,827	(1,709)	43,118
At 30 June 2018	101,989	73,903	86,334	148,739	145,712	556,677	27,930	584,607

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	190,446	(52,248)
CASH FLOW FROM INVESTING ACTIVITIES		
Placement of pledged bank deposits	(102,151)	(22,431)
Withdrawal of pledged bank deposits	76,946	31,564
Interest received	500	361
Purchase of property, plant and equipment	(13,626)	(14,722)
Addition of prepaid lease payments	(166)	–
Proceeds from disposal of property, plant and equipment	1,961	10
Deposits paid for acquisition of property, plant and equipment	(2,032)	(439)
Interest paid for consideration payable for the acquisition of a subsidiary	(3,600)	–
NET CASH USED IN INVESTING ACTIVITIES	(42,168)	(5,657)
CASH FLOW FROM FINANCING ACTIVITIES		
Advance from a related company	66,000	126,500
Repayment of advance from related companies	(188,000)	(49,500)
Advance from third parties	15,000	5,000
Proceeds from bank borrowings	149,950	247,600
Repayment of bank borrowings	(193,969)	(275,552)
Repayment of finance lease payable	(1,081)	(497)
Repayment of note instruments	–	(44,293)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(152,100)	9,258
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,822)	(48,647)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	57,796	93,443
CASH AND CASH EQUIVALENTS AT END OF PERIOD	53,974	44,796
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	53,974	44,796

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2018

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 yarn products and related raw materials.

This condensed consolidated financial information for the six months ended 30 June 2018 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.

The Group continues to adopt the going concern basis in preparing its condensed consolidated financial information. At 30 June 2018, the Group had net current liabilities of approximately RMB494,068,000. 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 of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

- (a) The banking facilities from the Group’s bankers for its working capital requirements for the next twelve months will be available as and when required, having regard to the following:
 - (i) 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 RMB227,100,000 currently included in current liabilities at 30 June 2018.
 - (ii) Undrawn banking facilities amounting to approximately RMB27,914,000.
 - (iii) Subsequent to the reporting date, the Group has also successfully obtained new banking facilities of approximately RMB32,000,000.
 - (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 2018

2. BASIS OF PREPARATION (Continued)

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

Having taken into account the above, the directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the 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 2017 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 2017 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 Financing Reporting Standards (“IFRSs”) issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. IFRSs comprise International Financing Reporting Standards (“IFRS”); International Accounting Standards (“IAS”); and Interpretations.

The Group has initially adopted IFRS 9 Financial Instruments (“IFRS 9”) and IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) from 1 January 2018. The impact of the adoption of IFRS 9 and IFRS 15 have been summarised below. A number of other new or revised IFRSs that are effective from 1 January 2018 do not have a material effect on the Group’s condensed consolidated financial information.

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”) that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies. As permitted by the transitional provisions of IFRS 9, the Group was elected not to restate comparative figures. There is no impact of transition to IFRS 9 on retained earnings before 1 January 2018.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2018

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(Continued)

IFRS 9 Financial Instruments (Continued)

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- (a) those to be measured subsequently at fair value through other comprehensive income or fair value through profit or loss, and
- (b) those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Trade and bills receivables that were classified as loans and receivables under IAS 39 are now classified as amortised cost.

For trade and bills receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Apart from the above, the adoption of IFRS 9 does not have a material effect on the Group's condensed consolidated financial information as the amount of impairment measured under the expected credit loss impairment model is immaterial.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated. There is no impact of transition to IFRS 15 on retained earnings before 1 January 2018.

Previously, revenue from the sale of manufactured goods and trading of raw materials was generally recognised at a point in time when the risks and rewards of ownership of goods had passed to the customers.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2018

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- (a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

4. NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards that have been issued but are not yet effective. The Group will adopt the new standards and amendments to standards on the respective effective dates.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the below new standard issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2018

4. NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE (Continued)

IFRS 16 Leases

IFRS 16, effective on or after 1 January 2019, replaces IAS 17 Leases and related interpretations. For lessees the distinction between operating leases and finance leases is removed. Lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets).

The standard will affect primarily the accounting of the Group's office property lease, which is currently classified as operating lease. As disclosed in Note 24, the Group's future minimum lease payments under a non-cancellable operating lease for its office property amounted to approximately RMB339,000 at 30 June 2018. The Group will perform a more detailed assessment in order to determine the new assets and liabilities arising from its operating lease commitments after taking into account the transition reliefs available in IFRS 16 and the effects of discounting.

5. FAIR VALUE MEASUREMENTS

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded in the condensed consolidated financial information approximate to their fair value.

6. 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 2018, 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.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2018

6. SEGMENT INFORMATION (Continued)

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

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

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

Information about reportable segment profit or loss:

	Yarns (unaudited) RMB'000	Staple Fibres (unaudited) RMB'000	Total (unaudited) RMB'000
Six months ended 30 June 2018			
Revenue from external customers	801,434	36,286	837,720
Intersegment revenue	–	34,375	34,375
Interest income	492	7	499
Interest expense	(15,618)	(1,237)	(16,855)
Depreciation and amortisation	(28,947)	(2,351)	(31,298)
Profit/(Loss) of reportable segments	49,491	(3,406)	46,085

	Yarns (unaudited) RMB'000	Staple Fibres (unaudited) RMB'000	Total (unaudited) RMB'000
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Six months ended 30 June 2017

Revenue from external customers	698,925	7,469	706,394
Intersegment revenue	–	17,694	17,694
Interest income	356	4	360
Interest expense	(28,461)	(1,011)	(29,472)
Depreciation and amortisation	(26,931)	(2,321)	(29,252)
Profit/(Loss) of reportable segments	27,297	(4,482)	22,815

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2018

6. SEGMENT INFORMATION (Continued)

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

	Six months ended 30 June	
	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Revenue		
Total revenue of reportable segments	872,095	724,088
Elimination of intersegment revenue	(34,375)	(17,694)
Group's revenue	837,720	706,394
Profit or loss		
Total profit of reportable segments	46,085	22,815
Elimination of intersegment losses	78	119
Adjusted for income in relation to government grants	4,581	2,997
Unallocated expense, net		
Other income, gains and losses	(605)	(130)
Administrative and other expenses	(1,024)	(916)
Taxation	(5,997)	(4,704)
Group's profit for the period	43,118	20,181

7. REVENUE

The principal activities of the Group are manufacturing and trading of yarn products and related raw materials.

Revenue represents the sales value of goods sold less returns, discounts and value added taxes.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2018

8. OTHER INCOME

	Six months ended 30 June	
	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Interest income on bank deposits	500	361
Government grants	4,581	2,997
Income from scrap sales	8,203	7,587
Rental income	419	318
Others	22	165
	13,725	11,428

9. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Fair value gain on derivative component of convertible bond	–	14,492
Net foreign exchange (loss)/gain	(1,057)	3,613
Loss on disposal of property, plant and equipment	(590)	(26)
Loss on early redemption of note instruments	–	(210)
Realised gain on financial assets at fair value through profit or loss	–	75
Unrealised loss on financial liabilities at fair value through profit or loss	–	(1,326)
Others	197	–
	(1,450)	16,618

10. FINANCE COSTS

	Six months ended 30 June	
	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Interest on bank borrowings	16,856	13,552
Interest on consideration payables	–	2,263
Interest on convertible bond	–	12,422
Interest on notes payable	–	1,236
Finance leases charges	156	58
	17,012	29,531

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2018

11. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Current tax		
PRC Enterprise Income Tax ("EIT")		
Provision for the period	4,748	3,971
Deferred tax	1,249	733
	5,997	4,704

No provision for Hong Kong Profits Tax for the six months ended 30 June 2018 and 2017 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, the Company's subsidiary, had been recognised as a state-encouraged high-new technology enterprise since 2014. As such, the EIT rate for Jiangxi Jinyuan is a reduced tax rate of 15% for the periods ended 30 June 2018 and 2017.

Huachun and Xinyuan, the Company's subsidiaries, are subject to the EIT rate at 25%.

The Group is subject to the PRC withholding tax of 10% on the gross interest income from its PRC subsidiaries to the Company.

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

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2018

12. PROFIT FOR THE PERIOD

The Group's profit for the period is stated after charging the following:

	Six months ended 30 June	
	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Depreciation	30,780	28,717
Operating lease charges		
– Amortisation of prepaid lease payments	538	545
– Land and buildings	244	258
Amortisation of intangible asset	17	25
Cost of inventories sold	746,230	643,918

13. 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 2018 and 2017.

14. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	44,827	22,319
Finance costs saving on conversion of convertible bond outstanding	–	11,536
Effect of exchange gain relating to dilutive potential ordinary shares	–	(2,436)
Effect of fair value gain on derivative component of convertible bond	–	(14,492)
Earnings for the purpose of calculating diluted earnings per share	44,827	16,927

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2018

14. EARNINGS PER SHARE (Continued)

	Six months ended 30 June	
	2018 (unaudited) '000	2017 (unaudited) '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,252,350	1,252,350
Effect of dilutive potential ordinary shares arising from convertible bond outstanding	–	227,000
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,252,350	1,479,350

15. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of approximately RMB19,322,000 (unaudited) (for the year ended 31 December 2017: RMB44,736,000 (audited)). These acquisitions are mainly in relation to its manufacturing plants in the PRC.

16. INVENTORIES

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Raw materials	116,387	125,608
Work in progress	25,821	22,850
Finished goods	109,452	96,335
	251,660	244,793

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2018

17. TRADE AND OTHER RECEIVABLES

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Trade receivables		
– Third parties	15,068	11,011
– A related company (Note)	1,067	350
	16,135	11,361
Advance payment to suppliers	23,919	8,868
Prepayments and other receivables	967	2,212
Other tax recoverables	11,887	11,682
	52,908	34,123

Note: At 30 June 2018, the trade receivable due from a related company – 江西寶源彩紡有限公司 (for identification purpose, Jiangxi Baoyuan Colourful Textile Co. Limited (“**Jiangxi Baoyuan**”)) is unsecured, interest-free and conducted on cash on delivery basis. Jiangxi Baoyuan is considered as related company of the Group since 80% of its equity interest is owned by a close family member of the executive directors.

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

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
0 – 30 days	13,919	9,172
31 – 90 days	2,018	1,620
91 – 180 days	109	569
Over 270 days	89	–
	16,135	11,361

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2018

18. BILLS RECEIVABLE

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

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
0 – 30 days	7,908	9,264
31 – 60 days	1,965	4,130
61 – 90 days	4,689	3,662
91 – 120 days	1,203	2,578
121 – 150 days	–	1,100
Over 150 days	1,020	1,100
	16,785	21,834

Included in bills receivable at 30 June 2018 was an amount of approximately RMB12,619,000 (unaudited) (at 31 December 2017: RMB16,036,000 (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 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Carrying amount of recognised financial assets	12,619	16,036
Carrying amount of corresponding liabilities not set-off	(12,619)	(16,036)

At 30 June 2018, no bills receivable (unaudited) (at 31 December 2017: RMB1,300,000 (audited)) of the Group have been pledged as collateral for secured bank borrowings.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2018

19. TRADE AND OTHER PAYABLES

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Trade payables	128,196	56,734
Other payables	24,410	14,306
Other tax payables	12,850	13,314
Accrued for salaries and wages	13,871	16,275
Other accrued charges	80,220	83,469
Payables for acquisition of property, plant and equipment	8,388	12,170
Deposits from customers	28,772	13,092
Dividend payables	243	243
Accrued interests on consideration payables	–	3,600
Amounts due to related companies (Note)	–	122,000
	296,950	335,203

Note: At 31 December 2017, the amounts due to related companies, Jiangxi Baoyuan and 奉新寶誠房地產有限公司 (for identification purpose, Fengxin Baocheng Real Estate Limited (“**Fengxin Baocheng**”)) of approximately RMB109,000,000 (audited) and RMB13,000,000 (audited) respectively are unsecured, interest-free and repayable on demand. Jiangxi Baoyuan is considered as a related company of the Group since 80% of its equity interest is owned by a close family member of the Company's executive directors. Fengxin Baocheng is considered as a related company of the Group since 51% of its equity interest is held by an executive director of the Company. The amounts due to related companies were fully repaid by the Group during the six months ended 30 June 2018.

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

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
0 – 30 days	75,311	45,593
31 – 90 days	45,756	10,237
Over 90 days	7,129	904
	128,196	56,734

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2018

20. BILLS PAYABLE

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

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
0 – 30 days	40,549	36,918
31 – 90 days	58,714	49,180
Over 90 days	74,481	35,726
	173,744	121,824

21. BANK BORROWINGS

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Bank loans		
– Secured	391,937	367,967
– Unsecured	92,105	160,022
	484,042	527,989
Amount payable within one year	445,213	462,649
Amount payable over one year	38,829	65,340
	484,042	527,989

At 30 June 2018, certain assets of the Group have been pledged as collateral for secured bank borrowings.

The directors estimate that the carrying amounts of the Group's bank borrowings are not materially different from their fair value at 30 June 2018.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2018

22. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised: At 31 December 2017 (audited) and 30 June 2018 (unaudited)	10,000,000	1,000,000

	Number of shares '000	HK\$'000	RMB'000
Issued and fully paid: At 31 December 2017 (audited) and 30 June 2018 (unaudited)	1,252,350	125,235	101,989

23. CAPITAL COMMITMENTS

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Acquisition of property, plant and equipment and construction of new production facilities and infrastructure	36,627	28,885

24. OPERATING LEASE COMMITMENTS

At 30 June 2018, the total future minimum lease payments under a non-cancellable operating lease in respect of rented premises fall due as follows:

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Within one year	339	501
In the second to fifth years inclusive	–	84
	339	585

Lease is negotiated for a lease term of two years with fixed rental over the term of the relevant lease.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2018

25. RELATED PARTY TRANSACTIONS

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

(a) Transactions with a related company

	Six months ended 30 June	
	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Sales of finished goods to Jiangxi Baoyuan	14,678	722
Purchase of raw materials from Jiangxi Baoyuan	157	–

Jiangxi Baoyuan is considered as a related company of the Group since 80% of its equity interest is owned by a close family member of the Company's executive directors.

(b) 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 2018 are as follows:

	Six months ended 30 June	
	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Short term benefits	3,769	1,860
Post-employment benefits	28	30
	3,797	1,890

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

At 30 June 2018, included in accrued salaries and wages was an amount of approximately RMB60,000 (unaudited) (at 31 December 2017: RMB141,000 (audited)) being accrued remuneration in relation to key management personnel which is unsecured, interest-free and settled in cash.

At 30 June 2018, included in prepayments and other receivables was an amount of approximately RMB45,000 (unaudited) (at 31 December 2017: RMB38,000 (audited)) being advance of remuneration to a director.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2018

25. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related companies

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Included in trade receivables:		
Trade receivable – Jiangxi Baoyuan (Note (i))	1,067	350
Included in other payables:		
Amount due to a related company – Jiangxi Baoyuan (Note (ii))	–	109,000
Amount due to a related company – Fengxin Baocheng (Note (iii))	–	13,000

Notes:

- (i) At 30 June 2018, the trade receivable due from a related company – Jiangxi Baoyuan is unsecured, interest-free and conducted on cash on delivery basis.
- (ii) During the six months ended 30 June 2018, certain unsecured loans ranging from RMB2,000,000 to RMB32,000,000 (during the year ended 31 December 2017: ranging from RMB500,000 to RMB20,000,000) were advanced from a related company, Jiangxi Baoyuan. These loans were interest-free and repayable on demand. These loans were fully repaid by the Group during the six months ended 30 June 2018.
- (iii) During the year ended 31 December 2017, certain unsecured loans ranging from RMB4,000,000 to RMB8,000,000 were advance from Fengxin Baocheng. Fengxin Baocheng is considered as a related company of the Group since 51% of its equity interest is owned by an executive director of the Company. These loans were interest-free and repayable on demand. The outstanding balance at 31 December 2017 was fully repaid by the Group during the six months ended 30 June 2018.

(d) Other transactions with related parties

At 30 June 2018 and 2017, certain bank borrowings were guaranteed by an executive director of the Company and a close family member of the executive directors of the Company.

26. CONTINGENT LIABILITIES

At 30 June 2018, the Group did not have any significant contingent liabilities (at 31 December 2017: Nil).

27. APPROVAL OF FINANCIAL INFORMATION

The condensed consolidated financial information was approved and authorised for issue by the Board of Directors on 24 August 2018.