CHINA WEAVING MATERIALS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3778

Interim Report 2014

Contents

Corporate Information

BOARD OF DIRECTORS

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

Non-executive Director
Mr. Sze Irons, JP

Independent non-executive Directors
Ms. Chan Mei Bo, Mabel
Mr. Nie Jianxin
Mr. Ng Wing Ka

BOARD COMMITTEES

Audit committee
Ms. Chan Mei Bo, Mabel (Chairman)
Mr. Nie Jianxin
Mr. Ng Wing Ka

Remuneration committee
Ms. Chan Mei Bo, Mabel (Chairman)
Mr. Nie Jianxin
Mr. Ng Wing Ka
Mr. Zheng Hong

Nomination committee
Ms. Chan Mei Bo, Mabel (Chairman)
Mr. Nie Jianxin
Mr. Ng Wing Ka
Mr. Zheng Hong

COMPANY SECRETARY

Mr. Cheung Chi Fai Frank

AUTHORISED REPRESENTATIVES

Mr. Zheng Hong
Mr. Cheung Chi Fai Frank

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

Fengtian Development Zone
Fengxin County
Jiangxi Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 806, 8/F., AXA Centre
151 Gloucester Road
Wan Chai, Hong Kong

Corporate Information

LEGAL ADVISERS

As to Hong Kong law:
Orrick, Herrington & Sutcliffe

As to PRC law:
Jiangxi Tian Yi Law Offices

AUDITOR

Deloitte Touche Tohmatsu

INVESTORS RELATIONSHIP CONSULTANT

Trinity Communications Group Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of Communications Limited
(Nanchang Donghu Sub-branch)
China CITIC Bank
(Nanchang Branch)
China Construction Bank Corporation
(Fengxin Sub-branch)
China Merchants Bank Company Limited
(Changbei Sub-branch)
Industrial and Commercial Bank of China Limited
(Fengxin Sub-branch)
Nanyang Commercial Bank (China) Limited
(Shenzhen Branch)
Bank of China (Hong Kong) Limited
Bank of Communications, Hong Kong Branch
The Hong Kong and Shanghai Banking Corporation Limited

COMPANY WEBSITE

www.chinaweavingmaterials.com

STOCK CODE

3778

Management Discussion and Analysis

MARKET OVERVIEW

In the first half of 2014, the international economic conditions remained challenging. The growth of the gross domestic product ("**GDP**") in the US was minimal while the GDP growth in the European Union slowed to nearly zero. Impact of the political crisis in Ukraine in Eastern Europe on the economic recovery of the Eurozone began to spread across the region. The conflict and unrest in the Middle East have contributed to a relatively high oil prices which is unfavorable for the global economy. The challenging international economic environment hindered the demand within and the exports from the People's Republic of China (the "**PRC**").

As regards the domestic economy, growth of the PRC's economy continued to show signs of slowing down, with its GDP growth rate decreasing from 7.7% for the year of 2013 to 7.4% for the first half of 2014. Moreover, the Consumer Price Index witnessed a mere 2.3% increase in the first half of 2014.

The PRC government has been dedicated to eliminating excessive industrial production capacities and facilitating a gradual and smooth economic transformation. It has adopted a prudent monetary policy since mid-2010 in order to curb excessive lending by banks in the PRC. The People's Bank of China has engaged in open market operation with cautions and has not loosened money supply by reducing the bank loan base rate or adjusting the mandatory reserve ratio since mid-2012. The benchmark loan interest rate for six month to one year term remained at 6.00% per annum since July 2012 and the required reserve ratio for larger financial institutions remained at 20.0% since May 2012. These policies has tightened the liquidity in the capital market and made it difficult for businesses in the PRC to obtain funds.

The complicated international economic conditions and the liquidity crunch in the PRC have affected various industries, including the textile industry. The continued rise in domestic production costs in the PRC has also presented challenges to the industry and has become a norm. The domestic cotton prices in PRC have dropped significantly since April 2014 as a result of the cancellation of the government's national cotton temporary reserve policy. The PRC government has yet to promulgate the full implementation details of the direct subsidy policy. The shift in government policies has narrowed the price gap between domestic and international cotton. This has lessened the pressure of price competition from imported yarns facing the domestic yarn manufacturers. However, lowered cotton prices have dragged down the prices of yarn products and the shift in policy has also introduced uncertainties to the prices of domestic cotton and increased their volatility. The textile market players have generally adopted a cautious approach to procurement which has negatively impacted the market demand and the sales volume and selling prices of yarn products of China Weaving Materials Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**").

BUSINESS REVIEW

Due to the challenging market conditions in the first half of 2014, the sales volume of the Group decreased from approximately 29,573 tonnes for the six months ended 30 June 2013 to approximately 27,140 tonnes for the six months ended 30 June 2014. The production volume of the Group decreased from approximately 29,786 tonnes for the six months ended 30 June 2013 to approximately 28,191 tonnes for the six months ended 30 June 2014. The revenue of the Group decreased by 12.7% to approximately RMB386.3 million for the six months ended 30 June 2014 as compared to RMB442.3 million for the six months ended 30 June 2013, as a result of decreased sales volume and selling prices. The decrease in the Group's sales volume was mainly due to the general weakness in the market as a result of the continuing softening of domestic cotton prices and yarn products. The decrease in the Group's production volume was mainly due to the a longer Chinese new year break in 2014 as compared to that of 2013 and disruption to the production in April 2014 resulting from the repair work of the Fengtian Development Zone high voltage transmission system in Fengxin County. The gross profit and the profit attributable to the owners of the Company for the six months ended 30 June 2014 was approximately RMB20.0 million and approximately RMB0.6 million, respectively.

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

Turnover of the Group for the six months ended 30 June 2014 was approximately RMB386.3 million, representing a decrease of approximately RMB56.0 million, or 12.7%, as compared to the same period last year. Sales of polyester yarn, polyester-cotton blended yarn and cotton yarn accounted for approximately 46.2% (six months ended 30 June 2013: 49.0%), 46.1% (six months ended 30 June 2013: 45.5%) and 7.7% (six months ended 30 June 2013: 5.5%) of total sales of the Group for the six months ended 30 June 2014, respectively. The decrease in the turnover of the Group for the six months ended 30 June 2014 was attributable to decrease in sales volume from approximately 29,573 tonnes for the six months ended 30 June 2013 to approximately 27,140 tonnes for the six months ended 30 June 2014 and the decrease in average unit selling prices of the Group's yarn products. The overall average selling price of yarn products of the Group decreased by approximately 5.1% from approximately RMB14,956 per tonne for the six months ended 30 June 2013 to approximately RMB14,188 per tonne for the six months ended 30 June 2014.

The selling prices of yarn products have a positive correlation with that of raw materials namely, polyester staple fibre and raw cotton. The Group sets the prices of its yarn products based on a variety of factors, including raw material prices, production costs and market conditions, our inventory level and the quality of the yarn products required by our customers. As polyester staple fibres are crude oil–based commodities, the prices of polyester yarns and polyester-cotton blended yarns are indirectly affected by the fluctuations in crude oil prices. The Group adjusts the selling prices of its yarn products from time to time considering the fluctuation in its raw material costs. In addition, the Group also monitors the movement of international and domestic raw cotton prices and members from the management, sales department and procurement department meet on a frequent basis to review the selling prices of its yarn products in order to respond to the changes of the various factors affecting its selling price. The average unit purchase prices of polyester staple fibre and raw cotton were lower in the first half of 2014 than in 2013 and the Group lowered the prices of its various yarn products accordingly during this period.

Gross profit and gross profit margin

Gross profit of the Group decreased from approximately RMB23.1 million for the six months ended 30 June 2013 to approximately RMB20.0 million for six months ended 30 June 2014. The gross profit margin of the Group remained stable at approximately 5.2%. The decrease in gross profit was mainly due to the decrease in sales volume.

Other Income

Other income of the Group decreased from approximately RMB12.9 million for the six months ended 30 June 2013 to approximately RMB9.1 million for the six months ended 30 June 2014, representing a decrease of approximately RMB3.8 million or 29.5%. The decrease in other income was mainly due to decrease in both government grants and income from scrap sales.

Distribution and selling expenses

Distribution and selling expenses of the Group decreased from approximately RMB6.7 million for the six months ended 30 June 2013 to approximately RMB5.6 million for six months ended 30 June 2014, representing an decrease of approximately RMB1.1 million, or 16.4%. Distribution and selling expenses as a percentage of turnover of the Group was approximately 1.5% for the six months ended 30 June 2014 (six months ended 30 June 2013: 1.5%). The decrease in the Group's distribution and selling expense was mainly due to decrease in sales volume from approximately 29,573 tonnes for the six months ended 30 June 2013 to approximately 27,140 tonnes for six months ended 30 June 2014.

Administrative expenses

Administrative expenses of the Group increased from approximately RMB10.9 million for the six months ended 30 June 2013 to approximately RMB13.5 million for the six months ended 30 June 2014, representing an increase of 23.9% or approximately RMB2.6 million. Administrative expenses as a percentage of turnover of the Group was approximately 3.5% for the six months ended 30 June 2014 (six months ended 30 June 2013: 2.5%). The increase in the Group's administrative expenses was mainly due to i) increase in depreciation and related land and property taxes arising from worker's dormitories, support building and other auxiliary structures of the new production site completed by the end of 2013, ii) increase in staff cost in relation to the new production facilities and iii) professional fees incurred in connection with the application for the status of high-new technology enterprise.

Finance cost

Finance cost of the Group increased from RMB5.3 million for the six months ended 30 June 2013 to approximately RMB7.8 million for the six months ended 30 June 2014, representing an increase of 47.2% or approximately RMB2.5 million. The increase in the Group's finance cost was mainly due to the lack of capitalization of interest expense for construction in progress (amount capitalized for the six months ended 30 June 2013: RMB2.0 million) and increased in bank borrowing.

Income tax expense

The Group's effective income tax rate for the six months ended 30 June 2014 was approximately 72.1%, as compared to 47.6% for the corresponding period in 2013. The increase in effective income tax rate of the Group was mainly due to non-deductibility for PRC income tax purposes in respect of i) the costs incurred by the Group's entities in Hong Kong and ii) certain accounting adjustments in the Group's entity in the PRC.

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 2014 was approximately RMB0.6 million, representing a decrease of approximately RMB6.3 million, or 91.3%, as compared to that of the six months ended 30 June 2013. The net profit margin of the Group for the six months ended 30 June 2014 was approximately 0.2%, representing a decrease of 1.4 percentage points as compared to approximately 1.6% for the six months ended 30 June 2013. The decreases in the Group's net profit and net profit margin were mainly due to the decrease in gross profit and other income coupled with increase in administrative and finance costs, partially offset by decrease in distribution and selling expenses and income tax expenses.

Earnings per share

The basic earnings per share of the Company for the six months ended 30 June 2014 was approximately RMB0.06 cent, representing a decrease of approximately 91.2% as compared to approximately RMB0.68 cent for the six months ended 30 June 2013. The decrease in basic earnings per share of the Company was due to the decrease in net profit for the six months ended 30 June 2014.

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 2014, net cash outflow from operating activities of the Group amounted to approximately RMB18.6 million (six months ended 30 June 2013: inflow RMB19.3 million). The Group had cash and bank balances of approximately RMB61.7 million (31 December 2013: RMB58.2 million) and pledged bank deposits of approximately RMB19.3 million (31 December 2013: RMB19.2 million) as at 30 June 2014. The Group's cash and bank balances were mainly held in Hong Kong dollar and Renminbi.

Capital Structure and Pledge on Assets

The Group's interest-bearing borrowings were made in Renminbi and Hong Kong dollars. As at 30 June 2014, the Group's interest-bearing borrowings amounted to approximately RMB278.6 million (31 December 2013: RMB208.0 million), RMB263.6 million (94.6%) of which (31 December 2013: 100%) was repayable within one year. 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 RMB297.3 million in aggregate (31 December 2013: RMB256.8 million).

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank borrowings and bills payable to total assets, was approximately 36.5% as at 30 June 2014 (31 December 2013: 31.8%). Net current liabilities and net assets at 30 June 2014 was approximately RMB189.7 million (31 December 2013: RMB189.5 million) and approximately RMB405.3 million (31 December 2013: RMB412.8 million), respectively.

Foreign Exchange Exposure

As the Group conducts business transactions principally in Renminbi, the management considered the exchange rate risk at the Group's operational level is not significant. Accordingly, the Group had not used any financial instruments for hedging purposes during the six months ended 30 June 2014. The Group has foreign currency cash and bank balances, other receivables, bank borrowing and other payable, which mainly expose the Group to risk in Hong Kong dollars and US dollars. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 30 June 2014 are approximately RMB9.5 million (31 December 2013: RMB3.1 million) and RMB11.5 million (31 December 2013: RMB15.8 million) respectively.

Contingent Liabilities

As at 30 June 2014, the Group did not have any contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 30 June 2014, the Group had a total of 1,761 (31 December 2013: 1,769) employees. Remuneration for employees, including the Directors, is determined in accordance with performance, professional experiences and the prevailing market practices. The Group's management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, discretionary bonus will also be granted to certain employees as awards in accordance with individual performance. The Company has adopted a share option scheme on 3 December 2011, under which the Company may grant options to eligible persons including directors and employees. No share option has been granted pursuant to the scheme since its adoption.

Management Discussion and Analysis

PROSPECT

In the first half of 2014, the textile industry in the PRC continued to encounter adversity arising from a general weakness in demand. Apart from sluggish overseas demand and a softening domestic economy, the cancellation of the PRC government's national cotton temporary reserve policy has exacerbated the problem in the short term, prompting a significant drop in domestic cotton prices since April 2014. The PRC government has yet to promulgate the full implementation details of the direct subsidy policy. The narrowed price gap between domestic and international cotton has lessened the pressure of price competition from imported yarns. However, lowered cotton prices have dragged down the prices of yarn products and the shift in policy has also introduced uncertainties to the prices of domestic cotton and increased their volatility in the short term. The textile market players have generally adopted a cautious approach to procurement which has negatively impacted the market demand and the Group's sales volume and selling prices of yarn product.

Looking forward, the sluggish overseas demand and a softening domestic economy will continue to pose challenges to the textile industry in the PRC. The cancellation of the government's national cotton temporary reserve policy is generally considered to be effective in facilitating market prices of domestic cotton and further narrow the price gap between domestic and international cotton. The new policy is expected to rationalize upstream and downstream relationships along the supply chain, and will benefit the textile industry in the PRC in the long run. Nevertheless, it is likely that the cancellation will discourage demand in the short term prior to the PRC government release the comprehensive subsidy mechanism and other implementation details of the policy. The Group will constantly review its product mix and product pricing to react to market conditions. It will also closely monitor the procurement of raw material in order to minimize the risk of price volatility of raw materials. The increasing manufacturing cost arising from increased labor cost, utility cost and government levies has been a serious concern for domestic manufacturers for the past few years. The Group will curb the escalating costs by continuous improvement in production efficiency by means of improvement in production process, enhancement of automation, continuous training of workers, introduction of advanced and energy efficient machinery. The Group's operating entity in the PRC, Jiangxi Jinyuan Textile Co., Ltd., has been recognized as a state-encouraged high-new technology enterprise and thus entitled to a preferential tax rate of 15% for Enterprise Income Tax for a period of 3 years starting from 2014. This is a testimony to the Group's commitment to advanced production process and product quality.

The textile industry, like many other industries in the PRC, is going through a period of elimination and consolidation, companies with better management, production and financial resources will survive the present adversity and flourish in the next upturn cycle. The Group has completed its current expansion plan, as the construction of a new workshop and other auxiliary building and the installation of the planned capacity of approximately 50,000 spindles has been completed and production has commenced. The Group's production capacity has been increased to approximately 380,000 spindles. In addition, the installation of open-end spun production facilities has substantially completed in August 2014 and production testing will commence soon.

Taking into account the benefit from the enlarged product portfolio and increased economy of scale as a result of the expansion of the production capacity, the Group is confident about its future. The Group will also continue to selectively pursue potential strategic acquisition opportunities in order to generate more returns to its shareholders.

Management Discussion and Analysis

Use of Net Proceeds from Listing

The Group has received approximately HK$152.0 million total net proceeds, after deducting underwriting fee and other related expenses, from the listing of the Company's shares in December 2011 and the partial exercise of over-allotment option in January 2012. The cumulative application of proceeds during the six months ended 30 June 2014 in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 12 December 2011 and the announcement issued by the Company on Change in Use of Proceed dated 23 August, 2013 was as follows:

Significant Investments and Material Acquisitions and Disposal of Subsidiaries

During the six months ended 30 June 2014, the Group did not have any significant investments or acquisitions or sales of subsidiaries.

	Net Proceeds (HK$ million)		
	Available	Utilised	Unutilised
Equipment and machinery for the production of combed fine cotton yarn of approximately 50,000 spindles	62.2	62.2	–
Equipment and machinery for the production of open-end spun yarn of approximately 10,000 spindles	12.5	12.5	–
Construction of new production facilities, not including the cost of land use rights	60.6	60.6	–
Enhance marketing network, brand awareness and reputation	1.5	1.5	–
Working capital and general corporate purposes	15.2	15.2	–
Total	152.0	152.0	–

Corporate Governance and Other Information

INTERIM DIVIDEND

The board (the "**Board**") of directors (the "**Directors**") of the Company does not recommend an interim dividend in respect of the six months ended 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company during the six months ended 30 June 2014.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interest or short position 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 ("**SFO**") which were notified to the Company and the Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**"), are set out below:

Long positions in ordinary Shares of the Company

Name of Director	Capacity/Nature of Interest	Number of shares	Approximate percentage of interest in the Company
Mr. Zheng Hong	Interest of a controlled corporation	467,550,000[1] (long position)	46.18%
Mr. Sze Irons, JP	Interest of a controlled corporation	122,850,000[2] (long position)	12.13%
Mr. Zheng Yongxiang	Beneficial owner	21,092,000 (long position)	2.08%

Notes:

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

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

Save as disclosed above, as at the date of this report, none of the directors had registered on 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

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at 30 June, 2014, so far as is known to any director or chief executive of the Company, the persons or corporations (other than director or chief executive of the Company) who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept under section 336 of the SFO are as follows:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company
Popular Trend[(1)]	Beneficial owner	467,550,000 Shares (long position)	46.18%
Flourish Talent[(2)]	Beneficial owner	122,850,000 Shares (long position)	12.13%
Da Yu Investments[(3)]	Beneficial owner	61,425,000 Shares (long position)	6.07%
Ms. Xie Meijing[(3)]	Interest of a controlled corporation	61,425,000 Shares (long position)	6.07%

Notes:

1. Popular Trend is wholly-owned by Mr. Zheng Hong.

2. Flourish Talent is wholly-owned by Mr. Sze Irons, JP.

3. Da Yu Investments Limited ("**Da Yu Investments**") is wholly-owned by Ms. Xie Meijing ("**Ms. Xie**"). For the purpose of Part XV of the SFO, Ms. Xie is deemed to be interested in the Shares held by Da Yu Investments.

CODE OF CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2014, the Company has complied with the code provisions of the existing Corporate Governance 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**").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct governing Directors' securities transactions. The Company confirms that, having made specific enquiry of all the Directors, each of them has complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2014.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL STATEMENTS

The audit committee of the Board has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014 have also been reviewed by Deloitte Touche Tohmatsu, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Report on Review of Condensed Consolidated Financial Statements

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Weaving Materials Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 13 to 30, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 August 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
		(unaudited)	(unaudited)
	NOTES	**RMB'000**	RMB'000
Revenue	5	**386,263**	442,307
Cost of sales		**(366,227)**	(419,216)
Gross profit		**20,036**	23,091
Other income	6	**9,071**	12,911
Distribution and selling expenses		**(5,603)**	(6,726)
Administrative expenses		**(13,547)**	(10,928)
Other gains		**–**	98
Finance costs		**(7,830)**	(5,317)
Profit before tax		**2,127**	13,129
Income tax expense	7	**(1,534)**	(6,253)
Profit and total comprehensive income for the period attributable to owners of the Company	8	**593**	6,876
Earnings per share	10		
– Basic and diluted (RMB cents)		**0.06**	0.68

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	NOTES	As at 30 June 2014 (unaudited) RMB'000	As at 31 December 2013 (audited) RMB'000
Non-current assets			
Property, plant and equipment	11	**585,953**	575,208
Prepaid lease payments		**34,510**	34,909
Deposits on acquisition of property, plant and equipment		**862**	3,262
		621,325	613,379
Current assets			
Inventories	12	**101,818**	102,075
Trade and other receivables	13	**16,180**	16,631
Bills receivables	14	**15,009**	6,599
Prepaid lease payments		**776**	776
Pledged bank deposits		**19,268**	19,167
Cash and bank balances		**61,678**	58,203
		214,729	203,451
Current liabilities			
Trade and other payables	15	**109,188**	125,183
Bills payables	16	**26,282**	51,420
Tax payable		**5,407**	8,380
Bank borrowings	17	**263,573**	207,986
		404,450	392,969
Net current liabilities		**(189,721)**	(189,518)
Total assets less current liabilities		**431,604**	423,861

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	NOTES	As at 30 June 2014 (unaudited) RMB'000	As at 31 December 2013 (audited) RMB'000
Non-current liabilities			
Deferred income		**6,190**	6,265
Bank borrowings	17	**15,000**	–
Deferred tax liability		**5,081**	4,835
		26,271	11,100
Net assets		**405,333**	412,761
Capital and reserves			
Share capital	18	**82,899**	82,899
Reserves		**322,434**	329,862
Total equity attributable to the owners of the Company		**405,333**	412,761

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note i)	Special reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
As at 1 January 2013 (audited)	82,899	17,092	58,616	148,739	92,527	399,873
Profit and total comprehensive income for the period	–	–	–	–	6,876	6,876
Dividends recognised as distribution (note 9)	–	–	–	–	(8,154)	(8,154)
Set off against accumulated losses (note ii)	–	(3,075)	–	–	3,075	–
As at 30 June 2013 (unaudited)	82,899	14,017	58,616	148,739	94,324	398,595
As at 1 January 2014 (audited)	**82,899**	**14,017**	**65,058**	**148,739**	**102,048**	**412,761**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**593**	**593**
Dividends recognised as distribution (note 9)	**–**	**–**	**–**	**–**	**(8,021)**	**(8,021)**
As at 30 June 2014 (unaudited)	**82,899**	**14,017**	**65,058**	**148,739**	**94,620**	**405,333**

Notes:

(i) Statutory surplus reserve representing appropriations from the profits after taxation of a wholly-owned subsidiary, Jinyuan Textile Co., Ltd. Jiangxi ("Jiangxi Jinyuan") established in the People's Republic of China ("PRC") forms part of shareholders' equity of Jiangxi Jinyuan. In accordance with the PRC Company Law and the Articles of Association of Jiangxi Jinyuan, Jiangxi Jinyuan is required to appropriate an amount at a minimum of 10% of its profits after taxation each year to a statutory surplus reserve until the statutory surplus reserve reaches 50% of its registered capital. The statutory surplus can be used for converting into additional capital of Jiangxi Jinyuan.

(ii) Pursuant to The Companies Law (Cap.22) of the Cayman Islands and the Company's articles of associations, the Board of Directors of the Company passed a resolution on 19 November 2012 to set off the subsequent incurred accumulated losses by crediting the share premium account of the Company. For the six month ended 30 June 2013, accumulated losses amounting to approximately RMB3,075,000 has been credited to the share premium account of the Company.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June 2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(18,649)**	19,319
CASH FLOW FROM INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	**19,160**	24,147
Interest received	**356**	413
Purchase of property, plant and equipment	**(40,080)**	(37,032)
Placement of pledged bank deposits	**(19,261)**	(21,425)
Deposits on acquisition of property, plant and equipment	**(862)**	(3,433)
NET CASH USED IN INVESTING ACTIVITIES	**(40,687)**	(37,330)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	**188,743**	108,000
Repayment of bank borrowings	**(118,156)**	(108,000)
Dividends paid	**(7,776)**	(7,750)
Repayment of obligations under finance leases	**–**	(2,103)
Other finance expenses paid	**–**	(180)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**62,811**	(10,033)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,475**	(28,044)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**58,203**	91,891
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**61,678**	63,847
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**61,678**	59,917
Time deposits with original maturity less than three months	**–**	3,930
	61,678	63,847

1. GENERAL

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

The Company is an investment holding company. Its subsidiaries are engaged in the business of manufacturing and trading of polyester yarns, polyester-cotton blended yarns and cotton yarns.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

As of 30 June 2014, the Group had net current liabilities of approximately RMB189,721,000 (31 December 2013: RMB189,518,000). Up to the date these condensed consolidated financial statements were authorised for issuance, the relevant banks agreed to renew bank borrowings amounting to RMB125,700,000 currently included in current liabilities as at 30 June 2014. Taken into account the availability of these banking facilities and the Group's expected cash flows generated from operations, the management of the Group is satisfied that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, a new Interpretation and certain amendments to International Financial Reporting Standards ("IFRSs") issued by IASB that are mandatorily effective for the current interim period.

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

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

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

Other than revenue analysis by major products as disclosed in note 5, no operating results and other discrete financial information relating to the respective products is prepared regularly for internal reporting to the CODM for resources allocation and performance assessment. The executive directors review the profit after tax from the management accounts of Jiangxi Jinyuan Textile Co., Ltd. ("Jiangxi Jinyuan") and Treasure Resources Corporation Limited for the purposes of resources allocation and performance assessment for the six months ended 30 June 2014 and 2013, respectively. The operations of Jiangxi Jinyuan and Treasure Resources Corporation Limited (six months ended 30 June 2013: Jiangxi Jinyuan) represent single operating and reportable segment of the Company under IFRS 8 "Operating Segments".

4. SEGMENT INFORMATION (Continued)

The segment revenue is the same as the Group's revenue for the interim periods. Reconciliation of segment results, segment assets and segment liabilities reviewed by the CODM which are different from the Group's results, total assets and total liabilities are as follows:

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Segment profit reviewed by CODM	**4,282**	11,198
Unallocated income	**15**	24
Administrative and other expenses	**(3,458)**	(3,824)
Deferred tax	**(246)**	(522)
Group's profit for the period	**593**	6,876

	As at 30 June 2014 (unaudited) RMB'000	As at 31 December 2013 (audited) RMB'000
Segment assets reviewed by CODM	**831,586**	813,678
Cash and bank balances	**3,228**	2,029
Property, plant and equipment	**758**	857
Other unallocated assets	**482**	267
Group's total assets	**836,054**	816,831

	As at 30 June 2014 (unaudited) RMB'000	As at 31 December 2013 (audited) RMB'000
Segment liabilities reviewed by CODM	**410,413**	390,974
Adjusted for deferred income	**6,190**	6,265
Accrued administrative expenses	**1,261**	1,837
Deferred tax liabilities	**5,081**	4,835
Other unallocated liabilities	**7,776**	158
Group's total liabilities	**430,721**	404,069

5. REVENUE

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

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Sales of polyester yarns	**178,402**	216,714
Sales of polyester-cotton blended yarns	**177,887**	201,130
Sales of cotton yarns	**29,974**	24,463
	386,263	442,307

6. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Interest income on time deposits, pledged bank deposits and bank balances	**356**	413
Government grants (note)	**6,407**	9,075
Income from scrap sales	**1,971**	3,107
Others	**337**	316
	9,071	12,911

Note: For the six months ended 30 June 2014, government grants mainly represent subsidies of RMB6,332,000 (six months ended 30 June 2013: RMB9,000,000) received by Jiangxi Jinyuan from the Ministry of Finance of Fengxin County, Yichun City, Jiangxi Province 江西宜春市奉新工業園區財政所 for rewarding Jiangxi Jinyuan's past contribution to Fengxin County Jiangxi Province. The grant is accounted for as financial support with no future related costs expected to be incurred nor related to any assets. As such, an amount of RMB6,332,000 (six months ended 30 June 2013: RMB9,000,000) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income when the grant was received. The remaining RMB75,000 (six months ended 30 June 2013: RMB75,000) are related to government grants on purchase of land use right which are amortised on a straight-line basis over the life of the corresponding land use right.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**1,156**	5,731
Underprovision in prior year:		
PRC EIT	**132**	–
Deferred tax	**246**	522
	1,534	6,253

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 subsidiary in the PRC.

Jiangxi Jinyuan, a subsidiary, has been recognized as a state-encouraged high-new technology enterprise starting from 2014, and the status is valid for a period of three years. Jiangxi Jinyuan is thus entitled to a preferential tax rate of 15% in 2014, 2015 and 2016, subject to annual review by the relevant tax authority. As such the EIT rate for Jiangxi Jinyuan is 25% for the year ended 31 December 2013 and a reduced tax rate of 15% for the six months ended 30 June 2014.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

In addition, according to the New EIT Law and Implementation Regulation, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise. Deferred tax has been provided in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2014 and 2013 in respect of the temporary differences attributable to the undistributed earnings of the PRC subsidiary based on 5%.

Other than the above, the Group has no other significant unprovided deferred tax at the end of the reporting period.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	**366,227**	419,216
Depreciation of property, plant and equipment	**13,381**	10,167
Amortisation of prepaid lease payments	**399**	399
Total depreciation and amortisation	**13,780**	10,566

9. DIVIDENDS

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Final dividend declared for 2013 – HK 1 cent per share (2012: HK 1 cents per share)	**8,021**	8,154

No dividends were proposed during the reporting period and the Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2014.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**593**	6,876
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,012,500**	1,012,500

No diluted earnings per share are presented as there are no potential ordinary shares outstanding for the six months ended 30 June 2014 and 2013.

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired plant and equipment and construction in progress of approximately RMB24,132,000 (six months ended 30 June 2013: RMB45,310,000). These acquisitions are mainly relating to its manufacturing plant in the PRC.

During the period ended 30 June 2013, borrowing costs of approximately RMB2,012,000 (six months ended 30 June 2014: nil) has been capitalised in these carrying amounts, the borrowing costs capitalised arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.59% per annum to expenditure on qualifying assets.

12. INVENTORIES

	As at 30 June 2014 (unaudited) RMB'000	As at 31 December 2013 (audited) RMB'000
Raw materials	**16,870**	31,193
Work in progress	**9,553**	9,909
Finished goods	**75,395**	60,973
	101,818	102,075

13. TRADE AND OTHER RECEIVABLES

In general, the Group will receive advance from the customers before the products are delivered. The Group allows some of the long-term and loyal customers to have credit terms of 15–90 days depending on creditability of the customers.

The following is an analysis of trade receivables by age, presented based on the invoice date at the end of each reporting period:

	As at 30 June 2014 (unaudited) RMB'000	As at 31 December 2013 (audited) RMB'000
Trade receivables		
1–30 days	**3,090**	3,493
31–90 days	**5**	337
Over 90 days	**10**	10
	3,105	3,840
Advance payment to suppliers	**3,074**	9,687
Prepayments and other receivables	**10,001**	3,104
	13,075	12,791
	16,180	16,631

14. BILLS RECEIVABLES

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

	As at 30 June 2014 (unaudited) RMB'000	As at 31 December 2013 (audited) RMB'000
1–30 days	**12,190**	2,253
31–60 days	**1,100**	1,902
61–90 days	**270**	890
91–120 days	**1,099**	600
121–150 days	**50**	504
Over 150 days	**300**	450
	15,009	6,599

Included in bills receivable as at 30 June 2014 was an amount of approximately RMB15,009,000 (31 December 2013: RMB6,599,000) that were transferred to suppliers by endorsing those bills receivables 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 amount of the bills receivables and the corresponding trade payables and payables to acquire of property, plant and equipment. These bills receivables are carried at amortised cost in the Group's condensed consolidated statement of financial position.

15. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date at the end of each reporting period:

	As at 30 June 2014 (unaudited) RMB'000	As at 31 December 2013 (audited) RMB'000
Trade payables		
1–30 days	**20,191**	32,910
31–90 days	**12,269**	13,485
Over 90 days	**6,687**	13
	39,147	46,408
Accrual for salary and wages	**5,400**	5,400
Deposits from customers	**15,687**	6,714
Payable for acquisition of property, plant and equipment	**18,876**	38,086
Value-added tax and other tax payable	**3,408**	2,464
Other payables and accrued charges	**26,670**	26,111
	70,041	78,775
	109,188	125,183

16. BILLS PAYABLES

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

	As at 30 June 2014 (unaudited) RMB'000	As at 31 December 2013 (audited) RMB'000
1–30 days	**16,282**	10,000
31–90 days	**3,800**	20,000
91–180 days	**6,200**	21,420
	26,282	51,420

17. BANK BORROWINGS

	As at 30 June 2014 (unaudited) RMB'000	As at 31 December 2013 (audited) RMB'000
Bank borrowings		
– secured bank borrowings	**263,573**	198,986
– unsecured bank borrowings	**–**	9,000
	263,573	207,986
Amount payable within one year	**263,573**	207,986
Amount payable over one year	**15,000**	–
	278,573	207,986

During the period, the Group obtained new bank borrowings amounting to approximately RMB188,743,000 (six months ended 30 June 2013: RMB108,000,000). The weighted average effective interest rate of bank borrowings is 6.39% (2013: 6.56%) per annum.

Except for secured long term bank borrowing amounting to approximately RMB15,000,000 (31 December 2013: nil), all the remaining bank borrowings are repayable within one year. All the proceeds were used as working capital and to finance capital investments. The Group also repaid bank borrowings amounting to approximately RMB118,156,000 (six months ended 30 June 2013: RMB108,000,000) during the period.

The secured bank borrowings were pledged by the Group's certain land use rights, property, plant and equipment and bank deposits. During the six months ended 30 June 2014, the Group has obtained a banking facility ("the Facility") for general corporate working capital of approximately RMB24,726,000, with interest rate of Hong Kong Interbank Offered Rate plus 2.2% to 3.0% per annum. As at 30 June 2014, the unutilised amount of the Facility was RMB16,683,000.

Up to the date these condensed consolidated financial statements were authorised for issuance, the relevant banks agreed to renew bank borrowings amounting to RMB140,700,000.

18. SHARE CAPITAL

	Number of shares '000	HK$'000	RMB'000
Authorised:			
At 31 December 2013 and 30 June 2014 (at HK$0.1 each)	10,000,000	1,000,000	819,672
Issued and fully paid:			
At 31 December 2013 and 30 June 2014 (at HK$0.1 each)	1,012,500	101,250	82,899

19. CAPITAL COMMITMENTS

	As at 30 June 2014 (unaudited) RMB'000	As at 31 December 2013 (audited) RMB'000
Contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment and construction of new production facilities and infrastructure	**12,903**	29,723
Capital expenditure in respect of the acquisition of property, plant and equipment and construction of new production facilities and infrastructure authorised but not contracted for	–	2,266

20. OPERATING LEASE COMMITMENT

At 30 June 2014, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	As at 30 June 2014 (unaudited) RMB'000	As at 31 December 2013 (audited) RMB'000
Within one year	**258**	384
In the second to fifth year inclusive	**–**	64
	258	448

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

21. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2014 and 2013, the Group did not have any other material related party transactions with related parties besides those disclosed below:

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 2014 were as follows:

	Six months ended 30 June	
	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
Short-term benefits	**1,459**	1,498
Post-employment benefits	**25**	24
	1,484	1,522

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