Interim Report 2013

CHINA WEAVING MATERIALS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3778

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

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

Corporate Information

LEGAL ADVISERS

As to Hong Kong law:
Orrick, Herrington & Sutcliffe

As to PRC law:
Jiangxi Tian Yi Law Offices

AUDITOR

Deloitte Touche Tohmatsu

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of Communications Limited
(Nanchang Donghu Sub-branch)
China CITIC Bank
(Nanchang Branch)
China Construction Bank Corporation
(Fengxin Sub-branch)
China Everbright Bank
(Nanchang 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)

COMPANY WEBSITE

www.chinaweavingmaterials.com

STOCK CODE

3778

Management Discussion and Analysis

MARKET OVERVIEW

In the first half of 2013, the international economic conditions remained challenging. The growth of the gross domestic product ("**GDP**") in the US was less 2.0% per annum while the GDP growth in the European Union fell by approximately 0.1% per annum. The sovereign debt crisis in the Euro zone continued to affect the economies of most European countries. The challenging international economic environment has affected local demand in the PRC as well as the PRC's export.

On the domestic side, economic growth in the PRC continues to show signs of slowing down. The GDP growth in the PRC decreased from 7.8% per annum for the year 2012 to 7.6% per annum in the first half of 2013. In the meantime, the Consumer Price Index increased approximately 2.4% in the first half of 2013.

The PRC government has been trying to eliminate excessive production capacities in the economy and facilitate transition of the economy. It has adopted a prudent monetary policy since mid 2010 in order to avoid excessive lending by banks in the PRC. The People's Bank of China ("**PBOC**") has engaged in open market operation with caution 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 months to one year term remained at 6.00% per annum since July 2012 and the mandatory reserve ratio for larger financial institution remained at 20.0% since May 2012. The abovementioned policies has tightened the liquidity in the capital market and made it difficult for businesses in the PRC to obtain funds.

The complicated international environment and tight liquidity in the PRC have affected many industries, including the textile industry. The rising domestic production costs in the PRC have also presented challenges to the industry and the increases of production costs have become a norm. In order to protect the interests of local cotton farmers, the PRC government continued to intervene the cotton market in 2013 by exercising control over prices of domestic cotton and volume of cotton imported from overseas with lower selling prices. Cotton prices in the PRC hovered at relatively high price levels during the six months ended 30 June 2013 as compared with international prices. As a result, domestic cotton yarn manufacturers had to bear higher raw material cost. On the other hand, during the six months ended 30 June 2013, the selling prices of yarn products were depressed as a result of both weak demand and competition from imported yarn products which were able to advantage of lower international cotton prices.

BUSINESS REVIEW

Despite the challenging market conditions in the first half of 2013, the sales volume of the Group increased from approximately 26,757 tonnes for the six months ended 30 June 2012 to approximately 29,573 tonnes for the six months ended 30 June 2013. The production volume of the Group increased from approximately 29,593 tonnes for the six months ended 30 June 2012 to approximately 29,786 tonnes for the six months ended 30 June 2013. The revenue of the Group increased by 5.6% to approximately RMB442.3 million for the six months ended 30 June 2013 as compared to RMB418.8million for the six months ended 30 June 2012, mainly as a result of increased sales volume. The increase in the Group's sales volume was mainly due to the increased sales effort of the Group. The gross profit and the profit attributable to the owners of the Company for the six months ended 30 June 2013 was approximately RMB23.1 million and approximately RMB6.9 million, respectively.

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

Turnover of the Company for the six months ended 30 June 2013 was approximately RMB442.3 million, representing an increase of approximately RMB23.5 million, or 5.6%, as compared to the same period last year. Sales of polyester yarn, polyester-cotton blended yarn and cotton yarn accounted for approximately 49.0% (2012: 49.2%), 45.5% (2012: 45.5%) and 5.5% (2012: 5.3%) of total sales of the Group for the six months ended 30 June 2013, respectively. The increase in the turnover of the Company for the six months ended 30 June 2013 was mainly attributable to increase in sales volume from approximately 26,757 tonnes for the six months ended 30 June 2012 to approximately 29,573 tonnes for the six months ended 30 June 2013, which was partly offset by the decrease in average unit selling prices of the Company's yarn products. The overall average selling price of yarn products of the Group decreased by approximately 4.4% from approximately RMB15,652 per tonne for the six months ended 30 June 2012 to approximately RMB14,956 per tonne for the six months ended 30 June 2013.

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 Company adjusts the selling prices of its yarn products from time to time considering the fluctuation in its raw material costs. In addition, the Company 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 2013 than in 2012 and the Company lowered the prices of its various yarn products accordingly during this period.

Gross profit and gross profit margin

Gross profit of the Company for the six months ended 30 June 2013 was approximately RMB23.1 million, which remained stable as compared to that for the six months ended 30 June 2012 of approximately RMB23.1 million. The gross profit margin of the Company slightly decreased from 5.5% for the six months ended 30 June 2012 to 5.2% for the six months ended 30 June 2013. The lower gross profit margin recorded for the six months ended 30 June 2013 was mainly due to the depressed selling prices of yarn products because of challenging market conditions, high cost of cotton resulting from government intervention and competitions from imported yarns with lower cotton prices.

Other Income

Other income increased from approximately RMB9.8 million for the six months ended 30 June 2012 to approximately RMB12.9 million for six months ended 30 June 2013, representing an increase of 31.6% or approximately RMB3.1 million. The increase in other income was mainly due to increase in other government grants and income from scrap sales.

Distribution and selling expenses

Distribution and selling expenses of the Company increased from approximately RMB6.1 million for the six months ended 30 June 2012 to approximately RMB6.7 million for six months ended 30 June 2013, representing an increase of approximately RMB0.7 million, or 10.8%. Distribution and selling expenses as a percentage of turnover of the Company was approximately 1.5% for the six months ended 30 June 2013 (2012: 1.4%). The increase in the Company's distribution and selling expense was mainly due to increase in sales volume from approximately 26,757 tonnes for the six months ended 30 June 2012 to approximately 29,573 tonnes for six months ended 30 June 2013.

Administrative expenses and other gains and losses

Administrative expenses of the Company decreased from approximately RMB11.4 million for the six months ended 30 June 2012 to approximately RMB10.9 million for the six months ended 30 June 2013, representing a decrease of 4.5% or approximately RMB0.5 million. Administrative expenses as a percentage of turnover of the Company was approximately 2.5% for the six months ended 30 June 2013 (2012: 2.7%). The decrease in the Company's administrative expenses was mainly due to reduction in professional fees in the Hong Kong office. Other gains of the Company for the six months ended 30 June 2013 was approximately RMB0.1 million, primarily representing the gain on settlement on foreign currency liabilities. Other losses of the Company for the six months ended 30 June 2012 was approximately RMB1.1 million which primarily represented exchange loss on translation of Hong Kong Dollar based net assets as at 30 June 2012.

Finance cost

Finance cost of the Company for the six months ended 30 June 2013 was approximately RMB5.3 million, representing a decrease of approximately RMB1.6 million, or 22.7%, as compared to that of the corresponding period in 2012. The decrease in the Company's finance cost was mainly due to capitalization of interest expense for construction in progress and reduction in interest rate as a result of the lowering of the relevant base interest rate by the PBOC in July 2012.

Income tax expense

The Group's effective income tax rate for the six months ended 30 June 2013 was approximately 47.6%, as compared to 30.3% for the corresponding period in 2012. The increase in effective income tax rate of the Company was mainly due to provision for PRC enterprise income tax on government grant and withholding taxes on undistributed profits of the Company's subsidiary in 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 2013 was approximately RMB6.9 million, representing an increase of approximately RMB1.8 million, or 34.3%, as compared to that of the six months ended 30 June 2012. The net profit margin of the Group for the six months ended 30 June 2013 was approximately 1.6%, representing an increase of 0.4 percentage points as compared to approximately 1.2% for the six months ended 30 June 2012. The increases in the Company's net profit and net profit margin were mainly due to the increase in other income coupled with decrease in other expenses and finance costs, partially offset by the increase in the Company's provision for income tax expense.

Earnings per share

The basic earnings per share of the Company for the six months ended 30 June 2013 was approximately RMB0.68 cents, representing an increase of approximately 33.3% as compared to approximately RMB0.51 cents for the six months ended 30 June 2012. 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 2013.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in the PRC. During the six months ended 30 June 2013, net cash generated from operating activities of the Group amounted to approximately RMB19.3 million (net cash outflow for the six months ended 30 June 2012: RMB48.1 million). The Group had time deposits of approximately RMB3.9 million (31 December 2012: RMB5.1 million), cash and bank balances of approximately RMB59.9 million (31 December 2012: RMB86.8 million) and pledged bank deposits of approximately RMB13.5 million (31 December 2012: RMB16.3 million) as at 30 June 2013. 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. As at 30 June 2013, the Group's interest-bearing borrowings amounted to approximately RMB215.0 million (31 December 2012: RMB215.0 million), RMB208 million (96.7%) of which (31 December 2012: 96.7%) was repayable within one year. These bank borrowings were secured by the Group's land use rights, buildings, plant and machinery with a carrying value of approximately RMB290.0 million in aggregate (31 December 2012: RMB270.8 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 32.9% as at 30 June 2013 (31 December 2012: 36.0%). Net current liabilities and net assets at 30 June 2013 was approximately RMB152.2 million (31 December 2012: RMB116.9 million) and approximately RMB398.6 million (31 December 2012: RMB399.9 million), respectively. The increase in net current liabilities was mainly due to increase of payable for construction in progress.

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 2013. The Group has foreign currency time deposits, cash and bank balances, other receivables and other payable, which mainly expose the Group to risk in Hong Kong Dollars. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 30 June 2013 are approximately RMB3.2 million (31 December 2012: RMB6.4 million) and RMB2.1 million (31 December 2012: RMB1.7 million) respectively.

Contingent Liabilities

As at 30 June 2013, the Group did not have any contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 30 June 2013, the Group had a total of 1,788 (31 December 2012: 1,826) 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 2013, the textile industry in the PRC continued to encounter adversity arising from three major challenges: (i) weak overseas and domestic demand due to sluggish European and US economies and a slowing domestic economy; (ii) disparity in domestic and international cotton prices due to the control by the PRC government over both the prices and import volume of overseas cotton; and (iii) increasing manufacturing costs in the PRC.

Despite the challenging market conditions, the Group managed to increase its profitability. The sales volume of the Group increased from approximately 26,757 tonnes for the six months ended 30 June 2012 to approximately 29,573 tonnes for the six months ended 30 June 2013. The production of the Group increased from approximately 29,593 tonnes for the six months ended 30 June 2012 to approximately 29,786 tonnes for the six months ended 30 June 2013.

Looking forward, the US economy has showed signs of improvement but the European economies appear to remain sluggish. The PRC economy appeared to have avoided a hard landing. The PRC government has set the target growth rate for GDP for 2013 at 7.5% and continues to encourage domestic consumption. Amidst such background, the Company expects the demand for textile in the PRC to improve moderately. The Company expects that the price of cotton will continue to be influenced by various factors including climates, amount of funds investing in commodities and demand from the textile industry. The PRC government has continued to collect cotton reserve in the first half of 2013 at a price of RMB20,400 per tonne. However, in the second quarter of 2013, the price disparity between domestic and international cotton has been lessened by upward movement in international cotton price. The increasing manufacturing cost arising from increased labour cost, utility cost and government levies have been a serious concern for domestic manufacturers for the past few years. The Group will tackle 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 is making good process on its expansion plan, as a new workshop ("**Workshop One**") and other auxiliary building have been substantially completed. The installation of part of the production machineries has been completed and trial production for testing the new production line has commenced. Upon completion of the installation of Workshop One, the Group's production capacity will be increased from current level of approximately 330,000 spindles to approximately 380,000 spindles. In view of changes in market conditions, the production facilities originally planned for the production of coloured polyester-cotton blended yarn was modified for the production of fine combed cotton yarns for high-end markets. The Group considers changing the product type to cater for high-end markets could improve competitiveness and deliver a higher margin. In view of market uncertainty, the Group will proceed with caution on the introduction of open-end spun production facilities by scaling down the budget for its investment and delaying it until the fourth quarter of 2013.

Taking into account the benefit from the enlarged product portfolio and increased economy of scale as a result of the planned expansion of the production capacity, the Group is confident about its future. The Group also strives to be well positioned to take advantage of any positive outlook in the textile industry given its scale of production, strong brand recognition and professional management.

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. These proceeds were applied during the six months ended 30 June 2013 under review 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 (the "**Prospectus**") and the announcement issued by the Company on Change in Use of Proceeds dated 23 August 2013 as follows:

	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	31.3	29.3
Enhance marketing network, brand awareness and reputation	1.5	1.5	–
Working capital and general corporate purposes	15.2	15.2	–
Total	152.0	110.2	41.8

There was no application of proceeds for equipment and machinery for the production of open-end spun yarn as management of the Group consider it would be prudent to delay the introduction of open-end spun production equipment and machinery until the fourth quarter of 2013 due to market uncertainty. The Group has deposited the unutilized proceeds in licensed banks in Hong Kong and the PRC.

Merger and Acquisition

For the six months ended 30 June 2013, no acquisition or disposal of subsidiaries or associates was made by the Company.

Corporate Governance and Other Information

INTERIM DIVIDEND

The board of Directors of the Company does not recommend an interim dividend in respect of the six months ended 30 June 2013.

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 2013.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, 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	16,892,000 (long position)	1.67%

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.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at 30 June, 2013, 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%
Mr. Lin Sing Yun[(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 Mr. Lin Sing Yun ("**Mr. Lin**"). For the purpose of Part XV of the SFO, Mr. Lin 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 2013, the Company had complied with the code provisions of the existing Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to 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 2013.

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 approved the condensed consolidated financial statements for the six months ended 30 June 2013. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2013 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 32, which comprise the condensed consolidated statement of financial position as of 30 June 2013 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 enquiries, 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

23 August 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
		(unaudited)	(unaudited)
	NOTES	**RMB'000**	RMB'000
Revenue	5	**442,307**	418,802
Cost of sales		**(419,216)**	(395,715)
Gross profit		**23,091**	23,087
Other income	6	**12,911**	9,752
Distribution and selling expenses		**(6,726)**	(6,069)
Administrative expenses		**(10,928)**	(11,437)
Other gains and losses		**98**	(1,102)
Finance costs		**(5,317)**	(6,883)
Profit before tax		**13,129**	7,348
Income tax expense	7	**(6,253)**	(2,228)
Profit and total comprehensive income for the period attributable to owners of the Company	8	**6,876**	5,120
Earnings per share	10		
– Basic (RMB cents)		**0.68**	0.51
– Diluted (RMB cents)		**N/A**	0.51

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	NOTES	**As at 30 June 2013 (unaudited) RMB'000**	As at 31 December 2012 (audited) RMB'000
Non-current assets			
Property, plant and equipment	11	**529,937**	492,786
Prepaid lease payments		**35,308**	35,707
Deposits on acquisition of property, plant and equipment		**3,433**	5,718
		568,678	534,211
Current assets			
Inventories	12	**73,875**	60,277
Trade and other receivables	13	**16,779**	17,722
Bills receivables	14	**6,552**	4,118
Prepaid lease payments		**776**	776
Pledged bank deposits		**13,528**	16,250
Time deposits		**3,930**	5,126
Cash and bank balances		**59,917**	86,765
		175,357	191,034
Current liabilities			
Trade and other payables	15	**77,533**	44,871
Bills payables	16	**30,000**	46,250
Dividend payable		**404**	–
Tax payable		**10,789**	5,980
Bank borrowings	17	**208,000**	208,000
Obligations under finance leases		**823**	2,827
		327,549	307,928
Net current liabilities		**(152,192)**	(116,894)
Total assets less current liabilities		**416,486**	417,317

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	NOTES	As at 30 June 2013 (unaudited) RMB'000	As at 31 December 2012 (audited) RMB'000
Non-current liabilities			
Deferred income		**6,840**	6,915
Bank borrowings	17	**7,000**	7,000
Deferred tax liability		**4,051**	3,529
		17,891	17,444
Net assets		**398,595**	399,873
Capital and reserves			
Share capital	18	**82,899**	82,899
Share premium and reserves		**315,696**	316,974
Total equity attributable to the owners of the Company		**398,595**	399,873

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	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 2012 (audited)	81,885	52,604	56,275	148,739	68,902	408,405
Issue of shares through exercising over-allotment option (note ii)	1,014	6,086	–	–	–	7,100
Cost of issuing new shares	–	(178)	–	–	–	(178)
Profit and total comprehensive income for the period	–	–	–	–	5,120	5,120
Dividends recognised as distribution (note 9)	–	(16,524)	–	–	–	(16,524)
As at 30 June 2012 (unaudited)	82,899	41,988	56,275	148,739	74,022	403,923
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 iii)	**–**	**(3,075)**	**–**	**–**	**3,075**	**–**
As at 30 June 2013 (unaudited)	**82,899**	**14,017**	**58,616**	**148,739**	**94,324**	**398,595**

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) On 18 January 2012, an additional 12,500,000 shares were allotted and issued by the Company at HK$0.7 per share through the exercise of over-allotment options. The Company received net proceeds of approximately HK$8,500,000 (equivalent to approximately RMB6,900,000) from these over-allotment shares, after deduction of share issue cost payable by the Company.

(iii) 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 (six months ended 30 June 2012: nil) has been credited of the share premium account of the Company.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	**19,319**	(48,111)
CASH FLOW FROM INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	**24,147**	66,071
Interest received	**413**	1,294
Purchase of property, plant and equipment	**(37,032)**	(28,042)
Placement of pledged bank deposits	**(21,425)**	(50,984)
Withdrawal of time deposits with original maturity more than three months	**–**	30,000
Deposits on acquisition of property, plant and equipment	**(3,433)**	(440)
Addition to prepaid lease payments	**–**	(10,417)
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	**(37,330)**	7,482
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	**(108,000)**	(93,817)
Dividends paid	**(7,750)**	(14,457)
Repayment of obligations under finance leases	**(2,103)**	(2,522)
Other finance expenses paid	**(180)**	–
Proceeds from bank borrowings	**108,000**	80,000
Proceeds from issue of new shares	**–**	7,100
Payment for share issue costs	**–**	(178)
NET CASH USED IN FINANCING ACTIVITIES	**(10,033)**	(23,874)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(28,044)**	(64,503)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**91,891**	184,408
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**63,847**	119,905
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**59,917**	113,596
Time deposits with original maturity less than three months	**3,930**	6,309
	63,847	119,905

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

1. GENERAL

The Company was incorporated in the Cayman Islands on 4 May 2011 and its shares were 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 operating subsidiary, Jinyuan Textile Co., Ltd. Jiangxi ("Jiangxi Jinyuan") is engaged in the business of manufacturing and trading of polyester yarns, polyester-cotton blended yarns and cotton yarns in the PRC.

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 2013, the Group had net current liabilities of approximately RMB152,192,000 (31 December 2012: RMB116,894,000). Up to the date these condensed consolidated financial statements were authorised for issuance, the relevant banks agreed to renew bank borrowings amounting to RMB193,000,000 currently included in current liabilities as at 30 June 2013. In addition, the Group has undrawn banking facilities of RMB140,000,000 as at 30 June 2013 which will not be expired in the coming 12 months. Accordingly, taken into account the availability of these banking facilities and 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 financial obligations as they fall due in the foreseeable future, and 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. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 2013 are same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, certain new or revised International financial Reporting Standards ("IFRSs") that are mandatorily effective for the current interim period. The standards that are relevant to the Group are as follows:

Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to IAS 1 introduce new terminology for statement of comprehensive income. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments have been applied retrospectively. Other than the above mentioned have changes, the application of the amendments to IAS 1 has not resulted in any impact on profit or loss, other comprehensive income and total comprehensive income.

IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-Int 12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The directors of the Company have assessed the impact of the application of IFRS10 to the Group and concluded that its application 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.

The application of the other new and revised IFRSs in the current interim period has had no material effect on 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 of Jiangxi Jinyuan prepared under PRC GAAP for the purposes of resources allocation and performance assessment for the six months ended 30 June 2013 and 2012, respectively. The operations of Jiangxi Jinyuan represent single operating and reportable segment of the Company under IFRS 8 "Operating Segments".

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 follow. Comparative figures have been re-presented to conform with current period presentations.

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Segment profit reviewed by CODM	**11,198**	9,008
Unallocated income	**24**	362
Administrative and other expenses	**(3,824)**	(4,250)
Deferred tax	**(522)**	–
Group's profit for the period	**6,876**	5,120

4. SEGMENT INFORMATION (Continued)

	As at 30 June 2013 (unaudited) RMB'000	As at 31 December 2012 (audited) RMB'000
Segment assets reviewed by CODM	**737,940**	717,636
Time deposits with original maturity less than three months	**3,930**	5,126
Cash and bank balances	**883**	1,165
Property, plant and equipment	**956**	1,052
Other unallocated assets	**326**	266
Group's total assets	**744,035**	725,245

	As at 30 June 2013 (unaudited) RMB'000	As at 31 December 2012 (audited) RMB'000
Segment liabilities reviewed by CODM	**332,441**	313,260
Adjusted for deferred income	**6,840**	6,915
Accrued administrative expenses	**1,704**	1,668
Dividend payable	**404**	–
Deferred tax liabilities	**4,051**	3,529
Group's total liabilities	**345,440**	325,372

5. REVENUE

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

	Six months ended 30 June	
	2013 (unaudited) RMB'000	2012 (unaudited) RMB'000
Sales of polyester yarns	**216,714**	206,022
Sales of polyester-cotton blended yarns	**201,130**	190,346
Sales of cotton yarns	**24,463**	22,434
	442,307	418,802

6. OTHER INCOME

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Interest income on time deposits, pledged bank deposits and bank balances	**413**	1,294
Government grants (note)	**9,075**	6,575
Income from scrap sales	**3,107**	1,636
Others	**316**	247
	12,911	9,752

Note: For the six months ended 30 June 2013, government grants mainly represent subsidies of RMB9,000,000 (six months ended 30 June 2012: RMB6,500,000) 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 RMB9,000,000 (six months ended 30 June 2012: RMB6,500,000) 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 2012: 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	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**5,731**	2,228
Deferred tax	**522**	–
	6,253	2,228

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. The applicable tax rate for Jiangxi Jinyuan, a subsidiary, is 25%.

7. INCOME TAX EXPENSE (Continued)

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 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 2013 in respect of the temporary differences attributable to the undistributed earnings of the PRC subsidiary based on 5%.

Deferred taxation has not been provided in the condensed consolidated financial statements for the six months ended 30 June 2012 in respect of temporary differences attributable to accumulated profits of the PRC subsidiary amounting to approximately RMB83,805,000 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. During the six months ended 31 December 2012, the PRC subsidiary has declared dividend amounting to RMB20,000,000 to the Group's companies and deferred tax has been provided for the remaining accumulated profits amounting to approximately RMB70,584,000 as at 31 December 2012.

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	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	**419,216**	395,715
Depreciation of property, plant and equipment	**10,167**	9,700
Amortisation of prepaid lease payments	**399**	247
Total depreciation and amortisation	**10,566**	9,947

9. DIVIDENDS

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Final dividend declared for 2012 – HK 1 cent per share (2011: HK 2 cents per share)	**8,154**	16,524

The dividend declared for the year ended 31 December 2011 was paid out of share premium. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum of Association and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

No dividends were proposed during the reporting period and the Directors do not recommend the payment of an interim dividend.

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	
	2013	2012
	(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)	**6,876**	5,120

10. EARNINGS PER SHARE (Continued)

Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,012,500**	1,011,264
Effect of dilutive potential ordinary shares – over-allotment options (note)	**N/A**	666
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	1,011,930

Note: During the six months ended 30 June 2013, no diluted earnings per share is presented as there are no potential ordinary shares outstanding during the period.

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired plant and equipment and construction in progress of approximately RMB45,310,000 (six months ended 30 June 2012: RMB57,969,000). These acquisitions are mainly relating to its manufacturing plant in the PRC.

Borrowing costs of approximately RMB2,012,000 (six months ended 30 June 2012: RMB738,000) has been capitalised in these carrying amounts during the period. Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.59% (2012: 6.81%) per annum to expenditure on qualifying assets.

12. INVENTORIES

	As at 30 June 2013 (unaudited) RMB'000	As at 31 December 2012 (audited) RMB'000
Raw materials	**39,346**	27,157
Work in progress	**9,562**	9,369
Finished goods	**24,967**	23,751
	73,875	60,277

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 2013 (unaudited) RMB'000	As at 31 December 2012 (audited) RMB'000
Trade receivables		
1–30 days	**4,415**	1,394
31–90 days	**27**	15
	4,442	1,409
Advance payment to suppliers	**10,228**	15,920
Prepayments and other receivables	**2,109**	393
	12,337	16,313
	16,779	17,722

14. BILLS RECEIVABLES

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

	As at 30 June 2013 (unaudited) RMB'000	As at 31 December 2012 (audited) RMB'000
1–30 days	**973**	800
31–60 days	**900**	300
61–90 days	**1,579**	612
91–120 days	**900**	276
121–150 days	**1,600**	50
Over 150 days	**600**	2,080
	6,552	4,118

Included in bills receivable as at 30 June 2013 was an amount of approximately RMB6,352,000 (31 December 2012: RMB4,118,000) 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 2013 (unaudited) RMB'000	As at 31 December 2012 (audited) RMB'000
Trade payables		
1–30 days	**12,832**	2,287
31–90 days	**11,498**	1,880
Over 90 days	**373**	1,580
	24,703	5,747
Accrual for salary and wages	**5,400**	5,400
Deposits from customers	**6,716**	5,641
Payable for acquisition of property, plant and equipment	**10,251**	2,718
Value-added tax and other tax payable	**3,410**	3,695
Other payables and accrued charges	**27,053**	21,670
	52,830	39,124
	77,533	44,871

16. BILLS PAYABLES

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

	As at 30 June 2013 (unaudited) RMB'000	As at 31 December 2012 (audited) RMB'000
31–90 days	**10,000**	26,250
91–180 days	**20,000**	20,000
	30,000	46,250

17. BANK BORROWINGS

	As at 30 June 2013 (unaudited) RMB'000	As at 31 December 2012 (audited) RMB'000
Bank borrowings		
– secured bank borrowings	**205,000**	205,000
– unsecured bank borrowings	**10,000**	10,000
	215,000	215,000
Amount payable within one year	**208,000**	208,000
Amount payable over one year	**7,000**	7,000
	215,000	215,000

During the period, the Group obtained new bank borrowings amounting to approximately RMB108,000,000 (six months ended 30 June 2012: RMB80,000,000). The weighted average effective interest rate of bank borrowings is 6.56% (2012: 6.99%) per annum.

Except for secured long term bank borrowing amounting to approximately RMB7,000,000 (31 December 2012: RMB7,000,000), 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 RMB108,000,000 (six months ended 30 June 2012: RMB93,817,000) during the period.

During the six months ended 30 June 2012, the Group pledged additional prepaid lease payments with a carrying amount of approximately RMB6,400,000 to secure general banking facilities granted to the Group as at 30 June 2012. No addition assets were pledged and no additional banking facilities were sought during the six months ended 30 June 2013.

Up to the date these condensed consolidated financial statements were authorised for issuance, the relevant banks agreed to renew bank borrowings amounting to RMB193,000,000.

18. SHARE CAPITAL

	Number of shares '000	HK$'000	RMB'000
Authorised:			
At 31 December 2012 and 30 June 2013 (at HK$0.1 each)	10,000,000	1,000,000	819,672
Issued and fully paid:			
At 31 December 2012 and 30 June 2013 (at HK$0.1 each)	1,012,500	101,250	82,899

19. CAPITAL COMMITMENTS

	As at 30 June 2013 (unaudited) RMB'000	As at 31 December 2012 (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	**65,618**	98,047
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	**34,788**	35,377

20. OPERATING LEASE COMMITMENT

At 30 June 2013, 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 2013 (unaudited) RMB'000	As at 31 December 2012 (audited) RMB'000
Within one year	**389**	396
In the second to fifth year inclusive	**268**	462
	657	858

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 2013 and 2012, 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 the executive directors of the Company and other members of key management of the Group during the six months ended 30 June 2013 were as follows:

	Six months ended 30 June	
	2013 (unaudited) RMB'000	2012 (unaudited) RMB'000
Short-term benefits	**1,498**	1,595
Post-employment benefits	**24**	23
	1,522	1,618

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

22. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2012, the secured deposit for obligation under finance lease of RMB3,022,000 had been used to settle the purchase cost of the relevant assets at the end of the lease term.

During the six months ended 30 June 2013, bills receivables of approximately RMB6,115,000 (six months ended 30 June 2012: nil) were endorsed to certain suppliers of the Group to settle the payable for acquisition of property, plant and equipment, of which approximately RMB1,142,000 were matured as at 30 June 2013.