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CHINA WEAVING MATERIALS HOLDINGS LIMITED

中國織材控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3778)

RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board (the “**Board**”) of directors (the “**Directors**”) of China Weaving Materials Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2016	2015
		(unaudited)	(unaudited)
	<i>Note</i>	RMB’000	RMB’000
Revenue	4	631,296	627,355
Cost of sales		(577,741)	(570,452)
Gross profit		53,555	56,903
Other income	5	5,624	20,873
Other gains and losses		450	712
Distribution and selling expenses		(11,394)	(11,237)
Administrative expenses		(21,770)	(22,187)
Loss from fire		–	(5,219)
Finance costs		(23,272)	(26,975)
Profit before tax		3,193	12,870
Income tax expense	6	(2,031)	(918)
Profit and total comprehensive income for the period	7	1,162	11,952

		Six months ended 30 June	
		2016	2015
		(unaudited)	(unaudited)
	<i>Note</i>	RMB'000	RMB'000
Profit/(Loss) and total comprehensive income for the period attributable to:			
Owners of the Company		1,486	12,025
Non-controlling interests		(324)	(73)
		<u>1,162</u>	<u>11,952</u>
Earnings per share	9		
Basic		<u>RMB0.12 cent</u>	<u>RMB0.96 cent</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2016 (unaudited) <i>RMB'000</i>	As at 31 December 2015 (audited) <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		1,102,663	1,084,908
Prepaid lease payments		44,890	45,434
Intangible asset		92	117
Deposits on acquisition of property, plant and equipment		1,339	17,561
Goodwill		34,829	34,829
Tax recoverable		–	8,938
Deferred tax assets		2,687	4,295
		1,186,500	1,196,082
Current assets			
Inventories		130,538	141,182
Trade and other receivables	10	37,753	54,298
Bills receivable		17,316	15,833
Prepaid lease payments		1,093	1,093
Tax recoverable		–	2,287
Pledged bank deposits		21,899	36,195
Restricted bank deposit		30,097	20,059
Cash and bank balances		44,562	41,182
		283,258	312,129
Current liabilities			
Trade and other payables	11	257,489	268,445
Bills payable		41,471	52,965
Deferred income		154	154
Finance lease payable		967	940
Bank borrowings		391,100	375,100
Bond payables		199,689	199,066
Current tax liabilities		6,262	5,478
		897,132	902,148
Net current liabilities		(613,874)	(590,019)
Total assets less current liabilities		572,626	606,063

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

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

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

- (a) The banking facilities from the Group’s bankers for its working capital requirements for the next twelve months will be available as and when required, having regard to the following:
 - (i) Up to the date of the condensed consolidated financial information was authorised for issue, the Group’s bankers agreed to renew bank borrowings amounting to approximately RMB182,100,000 currently included in current liabilities as at 30 June 2016.
 - (ii) Undrawn banking facilities amounting to approximately RMB62,804,000.
 - (iii) Subsequent to the reporting date, the Group has also successfully obtained new banking facilities of approximately RMB45,334,000.
 - (iv) Certain existing prepaid land lease and property, plant and equipment can be offered as security for further financing.
- (b) Subsequent to the reporting date, the Group issued redeemable fixed coupon notes and redeemable fixed coupon convertible bonds in the principal amount of HK\$50,000,000 and HK\$110,000,000 respectively.

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

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

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

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

3. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports prepared in accordance with accounting policies which conform with the generally accepted accounting principles in the PRC according to the types of goods delivered, and are regularly reviewed by the chief operating decision-maker (the “CODM”) to allocate resources to the segments and to assess their performance focuses on type of goods delivered.

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

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

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

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

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

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

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

Information about reportable segment profit or loss:

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

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

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

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

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

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

6. INCOME TAX EXPENSE

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

No provision for Hong Kong Profits Tax for the six months ended 30 June 2016 and 2015 have been made as there was no assessable profit subject to Hong Kong Profits Tax.

The tax charge in respect of the current period represents EIT in the PRC which is calculated at the prevailing tax rate on the taxable income of the subsidiaries in the PRC.

Jiangxi Jinyuan, a subsidiary, has been recognised as a state-encouraged high-new technology enterprise starting from April 2014, and the status is valid for a period of three years. Jiangxi Jinyuan is thus entitled to a preferential tax rate of 15% from April 2014 to April 2017, subject to annual review by the relevant tax authority. As such, the EIT rate for Jiangxi Jinyuan is a reduced tax rate of 15% for the six months ended 30 June 2016 and 2015.

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

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

7. PROFIT FOR THE PERIOD

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

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

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

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	1,486	12,025
	<hr/>	<hr/>
	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	1,252,350	1,252,350
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No diluted earnings per share has been presented as there were no potential dilutive shares outstanding for the six months ended 30 June 2016 and 2015.

10. TRADE AND OTHER RECEIVABLES

In general, the Group receives advances or bills from customers before products are delivered. The Group allows some of the long-term and loyal customers to have credit terms of 15-90 days depending on creditability of the customers.

The following is an analysis of trade receivables by age, presented based on the invoice date at the end of each reporting period, which approximated the respective revenue recognition dates:

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

11. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date:

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

MARKET OVERVIEW

In the first half of 2016, the international economic conditions remained challenging. The United States (the “**US**”) has witnessed signs of economic recovery but the economic outlook for the rest of the developed countries, including European countries, remained less auspicious. Affected by sluggish overseas demand, domestic over capacity and the adjustments resulting from the transition of the economy, the growth of the economy of the People’s Republic of China (the “**PRC**”) continued to slow down. The gross domestic product (“**GDP**”) growth rate of the PRC decreased from a Year on Year (“**YoY**”) rate of 6.9% for 2015 to 6.7% in the first half of 2016.

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

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

BUSINESS REVIEW

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

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

In December 2014, the Group established a subsidiary company, Jiangxi Xinyuan Special Fibres Company Limited (“**Xinyuan**”) in the Industrial Development Zone of Fengxin County of Jiangxi Province. The total registered capital of Xinyuan is RMB70 million, of which the Group holds 51%. Xinyuan is engaged in the manufacture and trading of polyester staple fibres which are one of the basic raw materials of the Group for the production of polyester yarns. During the six months ended 30 June 2016, Xinyuan was yet to commence business. Xinyuan marks the Group’s first step into upward vertical integration. The construction of the workshop of Xinyuan has been completed. The installation of the production facilities is progressing well and is expected to complete in the third quarter of 2016.

FINANCIAL REVIEW

Revenue

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

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

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

Gross profit and gross profit margin

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

Other income

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

Distribution and selling expenses

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

Administrative expenses

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

Finance costs

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

Income tax expense

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

Profit attributable to owners of the Company and net profit margin

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

Earnings per share

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

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in the PRC and Hong Kong. During the six months ended 30 June 2016, net cash inflow from operating activities of the Group amounted to approximately RMB45.6 million (six months ended 30 June 2015: RMB53.2 million). The Group had cash and bank balances of approximately RMB44.6 million (31 December 2015: RMB41.2 million), pledged bank deposits of approximately RMB21.9 million (31 December 2015: RMB36.2 million) and restricted bank deposit of approximately RMB 30.1 million (31 December 2015: RMB20.1 million) as at 30 June 2016. The Group's cash and bank balances were mainly held in Hong Kong Dollars and RMB.

Capital Structure and Pledge on Assets

The Group's interest-bearing borrowings were made in RMB and Hong Kong dollars. As at 30 June 2016, the Group's interest-bearing borrowings amounted to approximately RMB622.9 million (31 December 2015: RMB658.1 million), RMB591.8 million (95.0%) of which (31 December 2015: RMB575.1 million (87.4%)) was repayable within one year. The Group's banking facilities and bond payables were secured by its land use rights, properties, plant and equipment and pledged bank deposits with a carrying value of approximately RMB688.1 million in aggregate (31 December 2015: RMB724.8 million).

Gearing Ratio

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

Foreign Exchange Exposure

As the Group conducts its business transactions principally in RMB, the management considered the exchange rate risk at the Group's operational level is not significant. Accordingly, the Group had not used any financial instruments for hedging purposes during the six months ended 30 June 2016. The Group has foreign currency cash and bank balances, other receivables, bank borrowing and other payable, which mainly expose the Group to risk in Hong Kong Dollars and US Dollars. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 30 June 2016 were approximately RMB17.1 million (31 December 2015: RMB11.7 million) and RMB16.9 million (31 December 2015: RMB9.4 million), respectively.

Contingent Liabilities

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

Employees, Remuneration and Share Option Scheme

As at 30 June 2016, the Group had a total of 3,298 employees (31 December 2015: 3,103). Remuneration for employees, including the Directors, is determined in accordance with performance, professional experiences and the prevailing market practices. The Group's management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, discretionary bonus will also be granted to certain employees as awards in accordance with individual performance. The Company had adopted a share option scheme on 3 December 2011, under which the Company may grant options to eligible persons including directors and employees. No share option has been granted pursuant to the scheme since its adoption.

Significant Investments and Material Acquisitions and Disposal of Subsidiaries

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

PROSPECTS

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

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

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

Looking forward, the sluggish overseas demand and a softening domestic economy will continue to pose challenges to the textile industry in the PRC. The Group will continue to put more effort into new products development and increase its effort in developing markets for its new products. Taking into account the benefits from the enlarged product portfolio and increased economies of scale as a result of the successful acquisition of Huachun, the Group is confident about its future. The Group believes it is well positioned to take advantage of any positive outlook in the textile industry given its scale of production, strong brand recognition and professional management.

INTERIM DIVIDEND

The Board does not recommend an interim dividend in respect of the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company during the six months ended 30 June 2016.

FUND RAISING ACTIVITIES

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

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

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

CODE OF CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2016, 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 for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct governing Directors’ securities transactions. The Company confirms that, having made specific enquiry of all the Directors, each of them has complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2016.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL INFORMATION

The audit committee of the Board has reviewed together with the management the accounting principles and policies adopted by the Group and the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2016.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chinaweavingmaterials.com. The interim report of the Company for the six months ended 30 June 2016 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to the Group's management and staff members for their dedication and hard work, our customers for their confidence and support for our products, our shareholders for their trust and support and various government bodies for their support.

By order of the Board
China Weaving Materials Holdings Limited
Zheng Hong
Chairman

Hong Kong, 26 August 2016

As at the date of this announcement, the Board comprises Mr. Zheng Hong, Mr. Zheng Yong Xiang as the executive Directors; Mr. Sze Irons, BBS JP, as the non-executive Director; Ms. Zhang Baixiang, Mr. Nie Jian Xin and Mr. Ng Wing Ka as the independent non-executive Directors.