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 2015

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 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
		(unaudited)	(unaudited)
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**627,355**	386,263
Cost of sales		**(570,452)**	(366,227)
Gross profit		**56,903**	20,036
Other income	*5*	**20,873**	9,071
Other gains and losses		**712**	–
Distribution and selling expenses		**(11,237)**	(5,603)
Administrative expenses		**(22,187)**	(13,547)
Loss from fire	*6*	**(5,219)**	–
Finance costs		**(26,975)**	(7,830)
Profit before tax		**12,870**	2,127
Income tax expense	*7*	**(918)**	(1,534)
Profit and total comprehensive income for the period	*8*	**11,952**	593

	Note	Six months ended 30 June 2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**12,025**	593
Non-controlling interests		**(73)**	–
		11,952	593
			(Restated)
Earnings per share (in RMB cents)	*10*		
Basic		**0.96**	0.05
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	Note	**As at 30 June 2015 (unaudited)** *RMB'000*	As at 31 December 2014 (audited) *RMB'000*
Non-current assets			
Property, plant and equipment		**1,113,313**	539,388
Prepaid lease payments		**45,788**	34,111
Goodwill		**7,924**	–
Other intangible assets		**142**	–
Deposits for acquisition of property, plant and equipment		**20,413**	963
Deferred tax assets		**4,824**	2,214
		1,192,404	576,676
Current assets			
Inventories		**120,559**	80,360
Trade and other receivables	*11*	**34,848**	17,677
Bills receivable		**36,618**	10,306
Prepaid lease payments		**1,093**	776
Pledged bank deposits		**33,764**	6,704
Time deposits		**32,000**	76,052
Cash and bank balances		**105,255**	90,637
Current tax assets		**11,225**	–
		375,362	282,512
Current liabilities			
Trade and other payables	*12*	**267,932**	91,360
Bills payable		**63,452**	25,356
Finance lease payable		**2,931**	–
Financial liabilities at fair value through profit or loss		**160**	–
Current tax liabilities		**5,478**	5,635
Bank borrowings		**420,100**	280,535
		760,053	402,886
Net current liabilities		**(384,691)**	(120,374)
Total assets less current liabilities		**807,713**	456,302

	As at 30 June 2015 (unaudited) *RMB'000*	As at 31 December 2014 (audited) *RMB'000*
Non-current liabilities		
Consideration payable	**43,023**	–
Deferred income	**6,040**	6,115
Bank borrowings	**81,600**	15,000
Bond payables	**198,443**	–
Deferred tax liabilities	**16,617**	2,299
	345,723	23,414
NET ASSETS	**461,990**	432,888
Capital and reserves		
Share capital	**101,840**	92,875
Reserves	**343,073**	340,013
Equity attributable to owners of the Company	**444,913**	432,888
Non-controlling interests	**17,077**	–
TOTAL EQUITY	**461,990**	432,888

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited 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**"), and should be read in conjunction with the 2014 annual financial statements.

As of 30 June 2015, the Group had net current liabilities of approximately RMB384,691,000 (31 December 2014: RMB120,374,000). Up to the date these condensed consolidated financial statements were authorised for issue, the relevant banks agreed to renew bank borrowings amounting to RMB316,100,000 currently included in current liabilities as at 30 June 2015. Taken into account the availability of these banking facilities and the Group's expected cash flows generated from operations, the management of the Group is satisfied that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared on historical cost basis and certain financial liabilities are carried at their fair value.

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 2015 are same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, all the new and revised International Financial Reporting Standards ("**IFRSs**") issued by IASB that are mandatorily effective for the current interim period.

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

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 People's Republic of China (the "**PRC**"), that are regularly reviewed by the chief operating decision-maker (the "**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 4, no operating results and other discrete financial information relating to the respective products are prepared regularly for internal reporting to the CODM for resources allocation and performance assessment. The executive directors review the profit or loss after tax from the management accounts 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**")), 江西鑫源特種纖維有限公司 (for identification purpose, Jiangxi Xinyuan Special Fibres Company Limited ("**Xinyuan**")) and Treasure Resources Corporation Limited ("**Treasure Resources**") for the purposes of resources allocation and performance assessment for the six months ended 30 June 2015 (six months ended 30 June 2014: Jiangxi Jinyuan and Treasure Resources). The operations of Jiangxi Jinyuan, Huachun, Xinyuan and Treasure Resources (six months ended 30 June 2014: Jiangxi Jinyuan and Treasure Resources) represent single operating and reportable segment of the Company under IFRS 8 "Operating Segments".

4. REVENUE

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

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Sales of polyester yarns	**250,930**	178,402
Sales of polyester-cotton blended yarns	**236,248**	177,887
Sales of cotton yarns	**45,842**	29,974
Sales of grey and deep grey mélange yarns	**94,335**	–
	627,355	386,263

5. OTHER INCOME

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Interest income on bank deposits	**753**	356
Government grants	**9,320**	6,407
Income from scrap sales	**2,990**	1,971
Fire insurance claim income	**6,932**	–
Others	**878**	337
	20,873	9,071

6. LOSS FROM FIRE

During the six months ended 30 June 2015, the Group has further written off certain damaged part of the building premises of approximately RMB5,219,000 arising from the fire on 31 December 2014, by reference to the safety inspection and assessment of the building structure.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Current tax		
– PRC enterprise income tax ("**EIT**")	**–**	1,156
Under-provision in prior year		
– PRC EIT	**68**	132
Deferred tax	**850**	246
	918	1,534

No provision for Hong Kong Profits Tax for the six months ended 30 June 2015 and 2014 have been made as there is no assessable profit subject to Hong Kong Profits Tax.

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

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

Huachun, a subsidiary, has been recognised as a state-encouraged high-new technology enterprise starting from 2013, and the status is valid for a period of three years. Huachun is thus entitled to a preferential tax rate of 15% in 2013, 2014 and 2015, 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 2015 and 2014.

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.

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**24,439**	13,381
Amortisation of prepaid lease payments	**545**	399
Amortisation of intangible assets	**25**	–
Total depreciation and amortisation	**25,009**	13,780
Cost of inventories recognised as an expense	**570,452**	366,227
Directors' emoluments	**1,213**	1,216

9. DIVIDENDS

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Final dividend declared for 2013 – HK1 cent per share	**–**	8,021

No dividends were proposed during the reporting period and the Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2015.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company and the weighted average number of ordinary shares of 1,252,350,000 (six months ended 30 June 2014: 1,113,750,000) in issue during the period, as adjusted to reflect the bonus share issued during the period.

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**12,025**	593
Number of shares	**'000**	'000 (restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	**1,252,350**	1,113,750

No diluted earnings per share has been presented as there were no potential dilutive shares outstanding for the six months ended 30 June 2015 and 2014.

11. TRADE AND OTHER RECEIVABLES

In general, the Group receives advances 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:

	As at 30 June 2015 (unaudited) ***RMB'000***	As at 31 December 2014 (audited) *RMB'000*
Trade receivables		
– Within 30 days	**23,154**	14,250
– 31 to 90 days	**1,809**	2,688
– Over 90 days	**835**	42
	25,798	16,980
Prepayments and other receivables	**9,050**	697
	34,848	17,677

12. TRADE AND OTHER PAYABLES

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

	As at 30 June 2015 (unaudited) ***RMB'000***	As at 31 December 2014 (audited) *RMB'000*
Trade payables		
– Within 30 days	**62,943**	21,864
– 31 to 90 days	**20,697**	5,473
– Over 90 days	**4,638**	368
	88,278	27,705
Accrued salaries and wages	**11,378**	6,246
Deposits from customers	**10,308**	5,080
Payables for acquisition of property, plant and equipment	**11,303**	8,660
Value-added tax and other tax payables	**32,153**	10,913
Accrued charges, consideration and other payables	**114,512**	32,756
	179,654	63,655
	267,932	91,360

MARKET OVERVIEW

In the first half of 2015, the international economic conditions remained challenging. There were signs of economic recovery in the United States (the "**US**") 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 tight liquidity in the domestic capital market, the growth of the economy of the People's Republic of China (the "**PRC**") continues to slow down. The gross domestic product ("**GDP**") growth rate of the PRC decreased from a year-on-year ("**YoY**") rate of 7.4% in 2014 to 7.0% in the first half of 2015. Following the significant drop in cotton and synthetic fibres prices resulting from a shift in the PRC government's national cotton temporary reserve policy and plummeting crude oil prices respectively in 2014, the textile industry in the PRC experienced a relatively stable market environment in terms of raw material prices in the first half of 2015. Coupled with relatively favourable market conditions in general, there has been moderate relief in the hardship faced by companies in the textile industry.

BUSINESS REVIEW

As disclosed in the Company's announcements dated 30 September 2014 and 7 January 2015, the Group had entered into an agreement to acquire the entire interest of Jiangxi Huachun Color Spinning Technology Development Co., Ltd. ("**Huachun**") and completed the acquisition respectively. The operating results of Huachun have been consolidated into the Group's results since the completion of the acquisition in January 2015. The sales, production and gross profits of the Group increased substantially as a result of the consolidation.

The sales volume of the Group increased by 98.7% from approximately 27,140 tonnes for the six months ended 30 June 2014 to approximately 53,934 tonnes for the six months ended 30 June 2015. The production volume of the Group increased by 86.4% from approximately 28,191 tonnes for the six months ended 30 June 2014 to approximately 52,552 tonnes for the six months ended 30 June 2015. The revenue of the Group increased by 62.4% to approximately RMB627.4 million for the six months ended 30 June 2015 as compared to RMB386.3 million for the six months ended 30 June 2014. The gross profit and the profit attributable to the owners of the Company for the six months ended 30 June 2015 were approximately RMB56.9 million and approximately RMB12.0 million, respectively.

As disclosed in the Company's announcements dated 2 January 2015 and 5 January 2015, the Group suffered from a fire accident on 31 December 2014 which caused damage to certain inventories, plant and equipment and part of the building premises including the warehouse and Workshop One situated in Phase III of the production bases ("**Phase III**") of the Group located at Fengxin County, Jiangxi province, PRC. There were no casualties but the production at Phase III was suspended. Phase III is situated at a distant location from the rest of the production bases of the Group and has a production capacity of 50,000 spindles, representing approximately 13% of the Group's total capacity of 380,000 spindles. Restoration and repair works and the replacement of damaged equipment were carried out soon after the accident. The production line was relocated to Workshop Two of Phase III which was not affected by the fire. Production capacity of approximately 30,000 spindles has been resumed as of the date of this announcement and it is expected that the rest of the production capacity will gradually resume operation in the fourth quarter of 2015 in Workshop Two.

The newly installed open-end spun production facilities, which are also located in Phase III, were put under trial production in the fourth quarter of 2014. The production capacity of these newly installed production facilities is 1,600 heads (equivalent to approximately 20,000 spindles). These facilities suffered no damage at all in the fire but the trial production was also suspended as the high voltage transformer system for the entire Phase III facility was damaged in the fire and required replacement. The production facilities for the open-end spun yarns resumed operation in May 2015. However, in view of the severe competition in the open-end spun yarns market, the Company has converted the facilities into production of viscose yarns, of which margins are expected to be higher.

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 will be engaged in the manufacture and trading of polyester staple fibres which is one of the basic raw materials of the Group for the production of polyester yarns. Xinyuan marks the Group's first step into upward vertical integration. The construction of the workshop and other basic infrastructure of Xinyuan commenced in March 2015. The other 49% equity interest in Xinyuan is owned by two independent third parties. Please refer to note 38 of the notes to the consolidated financial statements in the 2014 annual report of the Company.

FINANCIAL REVIEW

Turnover

Turnover of the Group for the six months ended 30 June 2015 was approximately RMB627.4 million, representing an increase of approximately RMB241.1 million, or 62.4%, as compared to the corresponding period last year. Sales of polyester yarn, grey melange yarn, polyester-cotton blended yarn and cotton yarn accounted for approximately 40.0% (six months ended 30 June 2014: 46.2%), 15.0% (six months ended 30 June 2014: nil), 37.7% (six months ended 2014: 46.1%) and 7.3% (six months ended 30 June 2014: 7.7%) of total sales of the Group for the six months ended 30 June 2015, respectively. The increase in the turnover of the Group for the six months ended 30 June 2015 was attributable to increase in sales volume from approximately 27,140 tonnes for the six months ended 30 June 2014 to approximately 53,934 tonnes for the six months ended 30 June 2015 despite the decrease in average unit selling prices of the Group's yarn products. The overall average selling price of yarn products of the Group decreased by approximately 17.2% from approximately RMB14,188 per tonne for the six months ended 30 June 2014 to approximately RMB11,746 per tonne for the six months ended 30 June 2015.

The increase in sales and production volume was mainly due to the consolidation of the results of Huachun which accounted for 24,671 tonnes and 24,518 tonnes respectively. The sales of Huachun accounted for approximately RMB262.8 million for the six months ended 30 June 2015. The lower average selling prices of yarn products were mainly due to lower costs of raw materials and change in product mix of the Group. Due to the consolidation of Huachun, grey melange yarns products were introduced into the Group's product portfolio. Grey melange yarns products generally have lower selling prices than the existing products of the Group as grey melange yarns products enjoy lower costs of raw materials.

The selling prices of yarn products have a positive correlation with that of raw materials, namely, polyester staple fibres and raw cotton. The Group sets the prices of its yarn products based on a variety of factors, including raw material prices, production costs and market conditions, our inventory level and the quality of the yarn products required by our customers. As polyester staple fibres are crude oil-based commodities, the prices of polyester yarns and polyester-cotton blended yarns are indirectly affected by the fluctuations in crude oil prices. The Group adjusts the selling prices of its yarn products from time to time considering the fluctuation in its raw materials costs. In addition, the Group also monitors the movement of international and domestic raw cotton prices and members from the management, sales department and procurement department meet on a frequent basis to review the selling prices of the Group's yarn products in order to respond to the changes of the various factors affecting the selling prices. The average unit purchase prices of polyester staple fibres and raw cotton were lower in the first half of 2015 than in 2014 and the Group lowered the prices of its various yarn products accordingly during the first half of 2015.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased from approximately RMB20.0 million for the six months ended 30 June 2014 to approximately RMB56.9 million for the six months ended 30 June 2015. The gross profit margin of the Group increased from approximately 5.2% for the six months ended 30 June 2014 to approximately 9.1% for the six months ended 30 June 2015. The increase in gross profit was mainly due to the contribution of approximately RMB25.8 million arising from the consolidation of the results of Huachun. Also, the rate of decrease in the selling prices of yarns products have been lower than that of the raw materials due to improved market conditions in general.

Other Income

Other income of the Group increased from approximately RMB9.1 million for the six months ended 30 June 2014 to approximately RMB20.9 million for the six months ended 30 June 2015, representing an increase of approximately RMB11.8 million or 130.1%. The increase in other income was mainly due to the increase in government grant, including government grants of approximately RMB3.6 million arising from the consolidation of the results of Huachun and the recording of insurance compensation for the fire loss of approximately RMB6.9 million.

Distribution and Selling Expenses

Distribution and selling expenses of the Group increased from approximately RMB5.6 million for the six months ended 30 June 2014 to approximately RMB11.2 million for the six months ended 30 June 2015, representing an increase of approximately RMB5.6 million, or 100.6%. Distribution and selling expenses as a percentage of turnover of the Group was approximately 1.8% for the six months ended 30 June 2015 (six months ended 30 June 2014: 1.5%). The increase in the Group's distribution and selling expenses was mainly due to the increase in sales volume from approximately 27,140 tonnes for the six months ended 30 June 2014 to approximately 53,934 tonnes for the six months ended 30 June 2015. The increase in sales volume was mainly due to the consolidation of the results of Huachun which accounted for 24,671 tonnes.

Administrative Expenses

Administrative expenses of the Group increased from approximately RMB13.5 million for the six months ended 30 June 2014 to approximately RMB22.2 million for the six months ended 30 June 2015, representing an increase of 63.8% or approximately RMB8.7 million. Administrative expenses as a percentage of turnover of the Group was approximately 3.5% for the six months ended 30 June 2015 (six months ended 30 June 2014: 3.5%). The increase in the Group's administrative expenses was mainly due to the consolidation of the administrative expenses of Huachun of approximately RMB7.9 million.

Finance Costs

Finance costs of the Group increased from RMB7.8 million for the six months ended 30 June 2014 to approximately RMB27.0 million for the six months ended 30 June 2015, representing an increase of 244.5% or approximately RMB19.2 million. The increase in the Group's finance costs was mainly due to: (i) the consolidation of the finance costs of Huachun of approximately RMB15.0 million and (ii) the amortisation of interest expense of approximately RMB3.4 million on the outstanding consideration payable to the vendors of Huachun.

Income Tax Expense

The Group's effective income tax rate for the six months ended 30 June 2015 was approximately 7.1%, as compared to 72.1% for the corresponding period in 2014. The decrease in effective income tax rate of the Group was mainly due to the carrying forward of the effect of tax loss arising from the fire loss suffered in the end of 2014.

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 2015 was approximately RMB12.0 million, representing an increase of approximately RMB11.4 million, or 19.3 times, as compared to that for the six months ended 30 June 2014. The net profit margin of the Group for the six months ended 30 June 2015 was approximately 1.9%, representing an increase of 1.7 percentage points as compared to approximately 0.2% for the six months ended 30 June 2014. The increases in the Group's net profit and net profit margin were mainly due to the increase in gross profit and other income, partially offset by the increase in distribution and selling expenses, administrative expenses and finance costs.

Earnings per Share

The basic earnings per share of the Company for the six months ended 30 June 2015 was approximately RMB0.96 cent, representing an increase of approximately 18.2 times as compared to approximately RMB0.05 cent (as restated) for the six months ended 30 June 2014. 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 2015.

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 2015, net cash inflow from operating activities of the Group amounted to approximately RMB53.2 million (six months ended 30 June 2014: outflow RMB18.6 million). The Group had time deposits of approximately RMB32.0 million (31 December 2014: RMB76.1 million), cash and bank balances of approximately RMB105.3 million (31 December 2014: RMB90.6 million) and pledged bank deposits of approximately RMB33.8 million (31 December 2014: RMB6.7 million) as at 30 June 2015. The Group's cash and bank balances were mainly held in Hong Kong Dollars and Renminbi.

Capital Structure and Pledge on Assets

The Group's interest-bearing borrowings were made in Renminbi and Hong Kong dollars. As at 30 June 2015, the Group's interest-bearing borrowings amounted to approximately RMB703.1 million (31 December 2014: RMB295.5 million), of which RMB423.0 million (60.2%) (31 December 2014: RMB280.5 million (95.0%)) 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 RMB845.9 million in aggregate (31 December 2014: RMB256.7 million).

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank borrowings, bond payable, finance leases payables and bills payable to total assets, was approximately 48.9% as at 30 June 2015 (31 December 2014: 37.1%). Net current liabilities and net assets at 30 June 2015 was approximately RMB384.7 million (31 December 2014: RMB120.4 million) and approximately RMB462.0 million (31 December 2014: RMB432.9 million), respectively.

Foreign Exchange Exposure

As the Group conducts business transactions principally in Renminbi, the management considered the exchange rate risk at the Group's operational level is not significant. Accordingly, the Group had not used any financial instruments for hedging purposes during the six months ended 30 June 2015. The Group has foreign currency cash and bank balances, pledged bank deposits, bills receivable, other receivables, bank borrowings, bills payable, financial liabilities at fair value through profit or loss, and other payables, which mainly expose the Group to risk in Hong Kong Dollars and US Dollars. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 30 June 2015 were approximately RMB15.4 million (31 December 2014: RMB82.4 million) and RMB10.9 million (31 December 2014: RMB15.4 million) respectively.

Contingent Liabilities

As at 30 June 2015, the Group did not have any contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 30 June 2015, the Group had a total of 3,153 employees (31 December 2014: 1,705). 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.

Significant Investments and Material Acquisitions and Disposal of Subsidiaries

As disclosed in the Company's announcements dated 30 September 2014 and 7 January 2015, the Group had entered into an agreement to acquire the entire interest of Huachun and completed the acquisition respectively.

Save as disclosed above, during the six months ended 30 June 2015, the Group did not have any significant investments or acquisitions or sales of subsidiaries.

PROSPECTS

The Group has completed the acquisition of Huachun in January 2015. The integration of Huachun into the Group immediately increased the production capacity of the Group by 300,000 spindles and gave the Group immediate access to the grey mélange yarns market. The integration is beginning to achieve synergy in terms of sales, material procurement and production. The relocation of the production facilities affected by the fire accident is substantially completed and part of the productions has resumed. Overall production of the Group is expected to be back to normal in the fourth quarter of 2015.

In 2015, the PRC textile industry is expected to operate in a relatively stable environment compared to that of 2014 given the stabilization of the prices of raw materials and more stable state policies.

Looking forward, sluggish overseas demand and a softening domestic economy will continue to pose challenges to the PRC textile industry. However, 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 2015.

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 2015.

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, during the six months ended 30 June 2015, the Company has complied with the code provisions of the existing Corporate Governance Code (the "**CG Code**") and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. In respect of Code provision A6.7 of the CG Code, one independent non-executive Director was unable to attend the annual general meeting of the Company held on 28 May 2015 due to business travelling.

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 2015.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL STATEMENTS

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 statements of the Group for the six months ended 30 June 2015. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015 have also been reviewed by RSM Nelson Wheeler, 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" issued by the Hong Kong Institute of Certified Public Accountants.

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 2015 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 2015

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