ANNUAL REPORT 2012

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

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

LEGAL ADVISERS

As to Hong Kong law:
Orrick, Herrington & Sutcliffe

As to PRC law:
Jiangxi Tian Yi Law Offices

AUDITOR

Deloitte Touche Tohmatsu

COMPLIANCE ADVISER

Guotai Junan Capital Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

Chairman's Statement

I am confident about the future as the Group will benefit from the enlarged product portfolio and increased economy of scale as a result of the planned expansion of the production capacity.

In 2012, the textile industry in PRC encountered adversity arising from three major challenges: weak overseas and domestic demand due to sluggish European and US economies and a slowing domestic economy, disparity in domestic and international cotton prices due to the exercise of control by PRC government over both the prices and import volume of overseas cotton, and ever increasing manufacturing costs in PRC.

Despite the difficult market conditions, the Group managed to achieve slight profitability. The sales volume of the Group increased from approximately 58,223 tonnes for the year ended 31 December 2011 to approximately 61,044 tonnes for the year ended 31 December 2012. The production volume of the Group increased from approximately 57,717 tonnes for the year ended 31 December 2011 to approximately 61,502 tonnes for the year ended 31 December 2012 as a result of increased capacity and improved production process. The production utilization rate also increased from approximately 90% in 2011 to over 97% in 2012. The group's yarn products were awarded "Famous Brand in Jiangxi" by the Quality and Technology Bureau of Jiangxi Province in September 2012.

Looking forward, the US economy has showed signs of improvement but European economies seem to remain sluggish. 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. Against those backgrounds, the Group expects the demand for textile products to improve moderately. The prices of cotton will continue to influenced by various factors including climates, amount of funds investing in commodities and demand from the textile industry. However, the Group does not expect a huge disparity in the price level between domestic and international cotton to persist for a long period. The disparity would be eliminated by upward movement in international cotton prices or policies adjustments by the PRC government. The ever increasing manufacturing cost arising from increased labour cost, utility cost and government levies have been a disturbing factor for domestic manufacturers for the past few years. The Group will tackle the escalating cost 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.

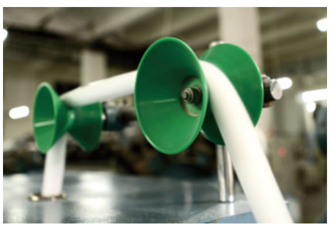
The Group is making good progress on the expansion plan, with workshop one and other auxiliary building being substantially completed and production machineries being installed. Upon completion of workshop one installation in the second quarter of 2013, the Group's production capacity will be increased from current level of approximately 330,000 spindles to approximately 380,000 spindles.

I am confident about the future as the Group will benefit from the enlarged product portfolio and increased economy of scale as a result of the planned expansion of the production capacity.

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.

Zheng Hong
Chairman
Hong Kong, 21 March, 2013


Management Discussion and Analysis



MARKET OVERVIEW

In 2012, the international economic conditions remain difficult. The Gross Domestic Product (the "**GDP**") growth in the US was around 2.0% while the GDP growth in the European Union 27 countries fell by approximately 0.3%. The Euro zone sovereign debt crisis showed some signs of improvement but the economies of most European countries remain stagnant. The difficult international economic environment has affected local demand and affected China's export.

On the domestic side, economic growth in the PRC has shown signs of slowing down. The GDP growth in the PRC decreased from 9.2% for 2011 to 7.8% in 2012. In the meantime, the Consumer Price Index decreased from approximately 5.4% in 2011 to approximately 2.6% in 2012.

The PRC government has been combating inflation and rising property prices by adopting a prudent monetary policy. In view of the difficult economic conditions overseas and a slowing domestic economy, the People's Bank of China began to loosen the monetary policy in 2012, and it has reduced benchmark interest rates of deposits and loans in June and July 2012, reducing benchmark loan interest rate for six months to one year term to 6.00% per annum in July 2012. It also reduced the mandatory reserve ratio three times by 0.5% each in December 2011, February and May 2012, pushing the mandatory reserve ratio downwards for larger financial institution to 20.0% in May 2012.

2012 was difficult for the textile industry. 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 become a trend. In 2012, in order to protect the benefits of local cotton farmers, the PRC government continued to involve in the cotton market by exercising control over prices of domestic cotton and import volume of overseas cotton with lower selling prices. Cotton prices in the PRC hovered at relatively high price levels rather than following the falls in international prices under weak global demand, as a result, domestic cotton yarn manufacturers had to suffer higher raw material cost. On the other hand, the selling prices of yarn products were depressed against both weak demand and competition from imported yarn products which could take advantage of lower international cotton prices.

BUSINESS REVIEW

Despite the difficult market conditions in 2012, the sales volume of the Group increased from approximately 58,223 tonnes for the year ended 31 December 2011 to approximately 61,044 tonnes for the year ended 31 December 2012. The production volume of the Group increased from approximately 57,717 tonnes for the year ended 31 December 2011 to approximately 61,502 tonnes for the year ended 31 December 2012 as a result of increased capacity and improved production process. The revenue of the Group decreased by 15.4% to approximately RMB918.5 million as a result of depressed selling prices. The gross profit and the profit attributable to the owners of the Company for the year ended 31 December 2012 was approximately RMB44.1 million and approximately RMB1.1 million, respectively.

FINANCIAL REVIEW

Turnover

Turnover for the year ended 31 December 2012 was approximately RMB918.5 million, representing a decrease of approximately 15.4% or approximately RMB167.4 million from last year. Sales of polyester yarn, polyester-cotton yarn and cotton yarn accounted for approximately 49.8% (2011: 48.4%), 44.2% (2011: 44.9%) and 6.0% (2011: 6.7%) of total sales of the Group for the year ended 31 December 2012, respectively. The decrease in turnover for 2012 was mainly attributable to the decrease in average unit selling prices of the Company's yarn products. Despite the sales volume of the Group increased from approximately 58,223 tonnes for the year ended 31 December 2011 to approximately 61,044 tonnes for the year ended 31 December 2012, the overall average selling price of yarn products of the Group decreased by 19.3% from approximately RMB18,651 per tonne for the year ended 31 December 2011 to approximately RMB15,047 per tonne for the year ended 31 December 2012.

The selling prices of yarn products have a positive correlation with that of raw materials namely, polyester staple fibre and raw cotton. The Company sets the sales prices of our 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, we also monitor 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 such selling price. The average unit purchase price of polyester staple fibre and raw cotton were lower in 2012 than in 2011 and the prices of various yarn products of the Group have been pushed down accordingly.

Gross profit and gross profit margin

Gross profit for the year ended 31 December 2012 was approximately RMB44.1 million, representing a decrease of 68.2% or approximately RMB94.6 million as compared to the year ended 31 December 2011. The gross profit margin decreased from 12.8% for the year ended 31 December 2011 to 4.8% for the year ended 31 December 2012. The decrease in gross profit margin was mainly due to the percentage of decrease in the average unit selling prices of yarns products decreased at a faster rate than the decrease in the average unit cost of raw materials. This is mainly due to the depressed selling prices of yarn products because of difficult market conditions and competition from imported yarns with lower raw material prices. However, domestic raw material prices, mainly cotton, did not fall in line with that of yarn products because of the PRC government control over the price and import volume of overseas cotton with lower prices.

Distribution and selling expenses

Distribution and selling expenses increased from approximately RMB12.9 million for the year ended 31 December 2011 to approximately RMB13.4 million for year ended 31 December 2012, representing an increase of 3.5% or approximately RMB0.45 million. Distribution and selling expenses as a percentage of turnover was approximately 1.5% for the year ended 31 December 2012 (2011: 1.2%). The increase in distribution and selling expenses was mainly due to increase in sales volume from approximately 58,223 tonnes for the year ended 31 December 2011 to approximately 61,044 tonnes for the year ended 31 December 2012.

Administrative and other expenses

Administrative expenses for the year ended 31 December 2012 was approximately RMB23.1 million, representing an increase of 15.2% or approximately RMB3.1 million as compared to the year ended 31 December 2011. The increase in administrative expenses was mainly due to increased management emolument, legal and professional fees and office expenses in Hong Kong subsequent to the listing of the Company's shares on the main board of the Stock Exchange in December 2011, which were partially offset by the reduction in other taxation, including mandatory tax levies for foreign-invested enterprises in the PRC for city maintenance and construction as well as educational purposes as a result of reduced gross margin. Other expenses for the year ended 31 December 2012 was approximately RMB1.1 million and it primarily represents loss on foreign currency translation. Other expenses for the year ended 31 December 2011 was approximately RMB20.6 million and it primarily represents expense incurred in connection with the listing of the Company's shares on the main board of the Stock Exchange in December 2011.

Finance cost

Finance cost for the year ended 31 December 2012 was approximately RMB13.5 million, representing a decrease of 32.9% or approximately RMB6.6 million as compared with the corresponding period in 2011. The decrease in finance cost was mainly due to decrease in interest expense in finance leases as the company repaid a finance lease in December 2011 and decrease in interest on bank borrowings as a result of reduced bank borrowings.

Income tax expense

The Group's effective income tax rate for the year ended 31 December 2012 was approximately 93.4%, as compared to 12.7% for the corresponding period in 2011. The increase in effective income tax rate was mainly due to expiration of the PRC tax concessions and exhaustion of tax credits carried forward in 2011 and the provision for withholding taxes on dividend declared and 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 year ended 31 December 2012 was approximately RMB1.1 million, representing a decrease of approximately 98.2% or approximately RMB59.6 million as compared to the year ended 31 December 2011. The net profit margin of the Group for the year ended 31 December 2012 was approximately 0.1%, representing a decrease of 5.5 percentage points as compared to approximately 5.6% for the year ended 31 December 2011. The decrease in net profit and net profit margin were mainly due to the decrease in gross profit for the year ended 31 December 2012 as compared to the year ended 31 December 2011 as a result of depressed selling prices of yarn products and relative higher raw material costs. Such decrease was partially offset by increase in investment and other income and decrease in other expenses.

Earnings per share

The basic earnings per share for the year ended 31 December 2012 was approximately RMB0.11 cents, representing a decrease of approximately 98.6% as compared to approximately RMB8.01 cents for the year ended 31 December 2011. The decrease in basic earnings per share was a result of the decrease in net profit for the year ended 31 December 2012.

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 year ended 31 December 2012, net cash generated from operating activities of the Group amounted to approximately RMB21.4 million (year ended 31 December 2011: RMB168.1 million). The Group had time deposits of approximately RMB5.1 million (31 December 2011: RMB128.4 million), cash and bank balances of approximately RMB86.8 million (31 December 2011: RMB86.0 million) and pledged bank deposits of approximately RMB16.3 million (31 December 2011: RMB24.4 million) as at 31 December 2012. The Group's cash and bank balances were 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 31 December 2012, the Group's interest-bearing borrowings amounted to approximately RMB215.0 million (31 December 2011: RMB222.0 million), RMB208 million (96.7%) of which (31 December 2011: 100%) was repayable within one year. These bank borrowings were secured by the Group's land use rights, buildings, plant and machinery and bank deposits with a carrying value of approximately RMB270.8 million in aggregate (31 December 2011: RMB379.60 million).

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank borrowings and notes payable to total assets, was approximately 36.0% as at 31 December 2012 (31 December 2011: 33.6%). Net current liabilities and net assets as at 31 December 2012 was approximately RMB116.9 million (31 December 2011: RMB7.5 million) and approximately RMB399.9 million (31 December 2011: RMB408.4 million), respectively. The increase in net current liabilities was mainly due to payment for construction in progress and reduced profitability.

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 year ended 31 December 2012. The Group has foreign currency time deposits, cash and bank balances, other receivables and other payable, which expose the Group to risk in Hong Kong Dollars (the "**HK$**"). The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2012 are approximately RMB6.4 million (31 December 2011: RMB114.7 million) and RMB1.7 million (31 December 2011: RMB1.0 million), respectively.

Contingent Liabilities

As at 31 December 2012, the Group did not have any contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 31 December 2012, the Group has a total of 1,826 (31 December 2011: 1,765) employees. Remuneration for employees including the Directors is determined in accordance with performance, professional experiences and the prevailing market practices. 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 was granted pursuant to the scheme since its adoption.

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 year 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**"), as follows:

	Net Proceeds (HK$ million)		
	Total	**Utilised**	**Unutilised**
Equipment and machinery for the production of coloured polyester-cotton blended yarn of approximately 55,000 spindles	62.2	62.2	–
Equipment and machinery for the production of open-end spun yarn of approximately 20,000 spindles	43.6	–	43.6
Construction of new production facilities, not including the cost of land use rights	29.5	29.5	–
Enhance marketing network, brand awareness and reputation	1.5	1.5	–
Working capital and general corporate purposes	15.2	15.2	–
Total	152.0	108.4	43.6

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

PROSPECT

In 2012, the textile industry in PRC encountered adversity arising from three major challenges: weak overseas and domestic demand due to sluggish European and US economies and a slowing domestic economy, disparity in domestic and international cotton prices due to the exercise of control by PRC government over both the prices and import volume of overseas cotton, and ever increasing manufacturing costs in PRC.

Despite the difficult market conditions, the Group managed to achieve slight profitability. The sales volume of the Group increased from approximately 58,223 tonnes for the year ended 31 December 2011 to approximately 61,044 tonnes for the year ended 31 December 2012. The production volume of the Group increased from approximately 57,717 tonnes for the year ended 31 December 2011 to approximately 61,502 tonnes for the year ended 31 December 2012 as a result of increased capacity and improved production process. The production utilization rate also increased from approximately 90% in 2011 to over 97% in 2012. The group's yarn products were awarded "Famous Brand in Jiangxi" by the Quality and Technology Bureau of Jiangxi Province in September 2012.

Looking forward, the US economy has showed signs of improvement but European economies seem to remain sluggish. 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. Against those backgrounds, the Group expects the demand for textile products to improve moderately. The prices of cotton will continue to influenced by various factors including climates, amount of funds investing in commodities and demand from the textile industry. However, the Group does not expect a huge disparity in the price level between domestic and international cotton to persist for a long period. The disparity would be eliminated by upward movement in international cotton prices or policies adjustments by the PRC government. The ever increasing manufacturing cost arising from increased labour cost, utility cost and government levies have been a disturbing factor for domestic manufacturers for the past few years. The Group will tackle the escalating cost 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 progress on the expansion plan, with workshop one and other auxiliary building being substantially completed and production machineries being installed. Upon completion of workshop one installation in the second quarter of 2013, the Group's production capacity will be increased from current level of approximately 330,000 spindles to approximately 380,000 spindles. However, in view of market uncertainty, the Group will proceed with caution on the introduction of open-end spun production facilities and delay it until the second half of 2013.

The Group is confident about its future in view of 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 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.

Report of the Directors

The directors of the Company (the "Directors") are pleased to present their report and the audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of cotton, polyester and polyester-cotton blended yarns. Details of principal activities of the principal subsidiaries are set out in note 39 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The Group's profit for the year ended 31 December 2012 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 35 to 37 and note 37 to the consolidated financial statements.

DIVIDEND

The board of Directors of the Company (the "Board") has recommended the payment of a dividend of HK1.0 cent per share of the Company in respect of the year ended 31 December 2012.

FINANCIAL SUMMARY

A summary of the financial information of the Group for the last five financial years is set out on page 82 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company and the Group's share capital during the year are set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association adopted on 3 December 2011 and as amended from time to time (the "Articles") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Pursuant to the partial exercise of the over-allotment option by Guotai Junan Securities (Hong Kong) Limited, the sole lead manager of the global offering of the Company's Shares as set out in the Company's prospectus (the "Prospectus") dated 12 December 2011, 12,500,000 Shares were issued by the Company at HK$0.70 per Share (excluding brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) on 18 January 2012. The net proceeds from the issue of such Shares amounted to approximately HK$8.53 million, which are to be applied to the various purposes set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus on a pro rata basis. Please refer to the Prospectus and the announcement of the Company dated 16 January 2012 for further details.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company's during the year ended 31 December 2012.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statements of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Group's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB109.6 million.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2012, the Group made a charitable contribution of HK$10,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2012, sales to the Group's five largest customers accounted for 11.6% of the total sales of the Group and the sales to the largest customer included therein amounted to 3.7% of the total sales of the Group for the year.

Purchases from the Group's five largest suppliers accounted for 71.1% of the total purchases of the Group and the purchase from the Group's largest supplier included therein amounted to 36.4% of the total purchases of the Group for the year ended 31 December 2012.

None of the Directors or any of their associates or any substantial shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company as at 31 December 2012 were:

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

Pursuant to Article 84 of the Company's Article, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation.

By virtue of Article 84 of the Company's Articles, all the directors who retire at the forthcoming annual general meeting, being eligible, will offer themselves for re-election at annual general meeting.

As such, Mr. Zheng Hong and Mr. Sze Irons, JP will retire from office as directors at the forthcoming annual general meeting and will offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 30 to 32 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 22 December 2011 and may be terminated by not less than three months' prior notice in writing served by either party on the other.

Each of the non-executive Director and independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from 3 December 2011 and may be terminated by not less than one month's prior notice in writing served by the Company.

The details of the remuneration of each of the directors are revealed on note 11 to the consolidated financial statements.

No director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors are subject to retirement by rotation at least once every three years as required by the Articles.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence from the Group. Based on such confirmations, the Company consider that each of such directors to be independent from the Group for the purpose of Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2012.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2012, 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	5,884,000 (long position)	0.58%

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.

SHARE OPTION SCHEME

The Company has a share option scheme (the "Scheme") which has adopted pursuant to a resolution of all shareholders passed on 3 December 2011 and adopted by a resolution of the board of directors on 3 December 2011. The purpose of the Scheme is established to recognise and acknowledge the contributions the eligible participants had or may have made to the Group. The Scheme became effective on 22 December 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption of the scheme. The terms of the Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

Eligible participants of the Scheme include any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors (including non-executive director and independent non-executive directors) of the Company or any of its subsidiaries; and any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries.

As at the date of this report, the total number of Shares of the Company available for issue under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (the "Hong Kong Public Offer") and the conditional placing by the international underwriters of the international placing shares (the "International Placing") (the "Global Offering"), being 100,000,000 Shares. Subject to the issue of a circular by the Company and the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the board of directors may:

(i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to eligible participants specifically identified by the Board.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by our Company; and (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company (as defined under the Listing Rules), or to any of their respective associates (as defined under the Listing Rules), is required to be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director or any of their respective associates of the Company, (i) representing in aggregate over 0.1%, or such other percentage as may from time to time provided under the Listing Rules, of the Shares in issued on the date of grant; and having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets at the date of each grant, are subject to issue of a circular and shareholder's approval in general meeting by way of a poll.

The offer of a grant of share options may be accepted by a participant not later than 30 days after the date of offer, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

The subscription price for Shares under the Scheme shall be a price determined by the board of directors in its absolute discretion shall determine, save such price will not be less than the highest of:

i. the official closing price of the Shares as stated in the daily quotation sheets on the date of the offer of the grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

ii. the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

iii. the nominal value of a Share.

The exercise period for the share options granted is determined by the board of directors in its absolute discretion, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event shall not exceed 10 years from the date on which the shares commence listing on the Main Board of the Stock Exchange.

Subject to the earlier termination of the Scheme in accordance with the Scheme rules, the Scheme will remain effective until 22 December 2021.

No option has been granted under the Scheme as at the date of this report.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURE

Save as disclosed in "Share Option Schemes" above, at no time during the year were rights to acquire benefits by means of the acquisition of share in or debentures of the Company granted to any director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at 31 December, 2012, 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
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.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contracts of significance have been entered into between the Company or any of its subsidiaries and the controlling shareholders during the year ended 31 December 2012.

NON-COMPETE UNDERTAKINGS

Each of the controlling shareholders, being Popular Trend Holdings Limited and Mr. Zheng Hong has confirmed to the Company of his/its compliance with the non-compete undertakings that he/it provided to the Company on 3 December 2011. The independent non-executive directors have reviewed the status of the compliance and confirmed that all of these non-compete undertakings have been complied with the controlling shareholders.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2012 and up to and including the date of this annual report.

PENSION SCHEME

The Group has established various welfare plans including the provision of basic pension funds, basic medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the rules and regulations and the existing policy requirements of the PRC and Hong Kong government.

CONNECTED TRANSACTIONS

No connected transaction was entered into or in existence since the Listing Date and up to 31 December 2012. The related party transactions disclosed in note 35 to the financial statements do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public since the Listing Date to the date of this report.

DIRECTOR'S INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, subsisted at the end of or at any time during the year 31 December 2012.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period of the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 13 May 2013 to Wednesday, 15 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Wednesday, 15 May 2013, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 10 May 2013.

The register of members of its Company will be closed from Wednesday, 22 May 2013 to Friday, 24 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 21 May 2013.

AUDITOR

The consolidated financial statements for the year ended 31 December 2012 have been audited by Deloitte Touche Tohmatsu who shall retire at the forthcoming annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

Corporate Governance Report

The Board (the "Board') of Directors (the "Directors') of the Company hereby presents this Corporate Governance Report for the year ended 31 December 2012.

A. CODE ON CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, during the period from 1 January 2012 to 31 March 2012, the Company has complied with the code provisions contained in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, and during the period from 1 April 2012 to 31 December 2012, the Company has complied with the code provisions of the existing Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in that Appendix. In respect of code provision A 6.7 of the CG Code, all independent non-executive directors and the non-executive director were unable to attend the annual general meeting of the Company held on 9 May 2012 due to other business commitment.

B. DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors have fully complied with the required standard set out in the Model Code for the year ended 31 December 2012.

C. BOARD OF DIRECTORS

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Board Composition

The Board currently comprises two executive Directors, one non-executive Director and three independent non-executive Directors. The Broad has received from each independent non-executive Director a written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and is satisfied with the independence of the independent non-executive Directors. Under the Company's Articles of Association, every Director is subject to retirement by rotation at least once every three years and their re-election is subject to a vote by the shareholders. All independent non-executive Directors are appointed for a specific terms.

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic and financial policies including dividend policy, material contracts and major investments. All Board members have separate and independent access to the Group's senior management to fulfill their duties. They also have full and timely access to relevant information about the Group and are kept abreast of the conduct, business activities and development of the Group. Independent professional advice can be sought at the Group's expense upon their request.

The Board has three independent non-executive Directors in compliance with Rule 3.10(1) of the Listing Rules that every board of directors of a listed issuer must include at least three independent non-executive Directors. In addition, at least one independent non-executive Director, namely, Ms. Chan Mei Bo, Mabel, possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive Directors, representing more than one-third of the Board in compliance with Rule 3.10A of the Listing Rules.

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 22 December 2011 and may be terminated by not less than three months' prior notice in writing served by either party on the other.

Each of the non-executive Director and independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from 3 December 2011 and may be terminated by not less than one month's prior notice in writing served by the Company.

The Board comprises the following Directors:

Executive Directors:

Mr. Zheng Hong (Chairman)
Mr. Zheng Yongxiang

Non-Executive Director:

Mr. Irons Sze, JP

Independent Non-Executive Directors:

Ms. Chan Mei Bo, Mabel
Mr. Nie Jianxin
Mr. Ng Wing Ka

Chairman and Chief Executive Officer

The Group has appointed Mr. Zheng Hong as the Chairman and Mr. Zheng Yong Xiang has assumed the role of the Chief Executive Officer. The roles of the Chairman and the Chief Executive Officer are segregated. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities. The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

Mr. Zheng Hong is the younger brother of Mr. Zheng Yong Xiang. Save as disclosed herein, to the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

Meeting Attendance

The attendance of individual members of the Board at Board meetings, meetings of the Board Committees and general meetings during the year ended 31 December 2012, as well as the number of such meetings held, is set out as follows:

	Meetings attended/held				
Name of Director	**Board**	**Remuneration Committee**	**Nomination Committee**	**Audit Committee**	**Annual General meeting**
Number of meetings	4	1	1	2	1
Executive Directors:					
Mr. Zheng Hong	4/4	1/1	1/1	–	1/1
Mr. Zheng Yongxiang	4/4	–	–	–	1/1
Non-Executive Director:					
Mr. Irons Sze, JP	4/4	–	–	–	0/1
Independent Non-Executive Directors:					
Ms. Chan Mei Bo, Mabel	4/4	1/1	1/1	2/2	0/1
Mr. Nie Jianxin	4/4	1/1	1/1	2/2	0/1
Mr. Ng Wing Ka	4/4	1/1	1/1	2/2	0/1

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of the executive Director during the year.

Board Committees

The Board has established Remuneration Committee, Nomination Committee and Audit Committee (collectively, "Board Committees") with defined terms of reference. The terms of reference of the Board Committees are posted on the websites of the Company and Hong Kong Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Remuneration Committee

A remuneration committee was established by the Company on 3 December 2011 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee include reviewing and determining the terms of remuneration packages, bonuses and other compensation payable to our Directors and members of senior management of our Group. The Remuneration Committee is chaired by Ms. Chan Mei Bo, Mabel, an independent non-executive Director, and other members are Mr. Nie Jianxin, Mr. Ng Wing Ka, who are also the independent non-executive Directors and Mr. Zheng Hong, an executive Director.

During the year ended 31 December 2012, one meeting was held by the Remuneration Committee. The Remuneration Committee reviewed and approved the remuneration packages of the Directors and senior management at the meeting. All members of the Remuneration Committee attended the meeting.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2012 is set out below:

Remuneration bands (HK$)	Number of persons
Nil to 1,000,000	2
1,000,001 to 2,000,000	1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in note 12 to the financial statements.

Nomination Committee

A nomination committee was established by the Company on 3 December 2011 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and members of senior management of our Group. The members of the Nomination Committee comprises three independent non-executive Directors, namely, Ms. Chan Mei Bo, Mabel, Mr. Nie Jianxin, Mr. Ng Wing Ka and one executive Director, Mr. Zheng Hong. Ms. Chan Mei Bo, Mabel is the chairman of the Nomination Committee. The terms of reference of the Nomination Committee can be obtained from the Company upon request.

During the year ended 31 December 2012, one meeting was held by the Nomination Committee. The Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and assessed the independence of all the independent non-executive Directors at the meeting. All members of the Nomination Committee attended the meeting.

Audit Committee

An audit committee was established by our Company on 3 December 2011 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and approve our Group's financial reporting process and internal control system. The Audit Committee comprises all independent non-executive Directors, namely, Ms. Chan Mei Bo, Mabel, Mr. Nie Jianxin and Mr. Ng Wing Ka. Ms. Chan Mei Bo, Mabel is the chairman of the Audit Committee.

During the year ended 31 December 2012, the Audit Committee had two meetings and performed the following works:

- Review and approve of the annual financial results for the year ended 31 December 2011 and interim financial results for the six months ended 30 June 2012 and review of the accounting principles and practices adopted by the Group;

- Meeting and discussion with external auditors on matters arising from the audit and review of the financial statements of the Group
- Review of report prepared by external auditors on matter arising from the audit of the financial statements of the Group
- Review the internal control systems of the Group and the report prepared by an external consultant on the assessment of the internal control systems of the Group.

All members of the Audit Committee attended the two meetings.

The Group's audited consolidated results for the year ended 31 December 2012 has been reviewed and approved by the Audit Committee of the Company.

Training for Directors

During the year ended 31 December 2012, the Directors participated in the following trainings:

	Types of training
Executive Directors:	
Mr. Zheng Hong	A, C
Mr. Zheng Yongxiang	A, C
Non-Executive Director:	
Mr. Irons Sze, JP	A, C
Independent Non-Executive Directors:	
Ms. Chan Mei Bo, Mabel	B, C
Mr. Nie Jianxin	A, C
Mr. Ng Wing Ka	B, C

A: attending training sessions organized by professional firms
B: attending training sessions required by the relevant professional bodies of which they are members
C: reading newspapers, journals and updates distributed by the Group relating to economy, general business and regulatory matters

Company Secretary

Mr. Cheung Chi Fai, Frank, the Company Secretary of the Company, is a full time employee of the Group. During the year ended 31 December, 2012, Mr. Cheung has complied with Rule 3.29 of the Listing Rules in relation to taking of relevant professional training.

D. FINANCIAL REPORTING AND INTERNAL CONTROLS

Financial Reporting

The Directors acknowledge their responsibility for preparing the Group's financial statements which give a true and fair view and are in accordance with appropriate International Financial Reporting Standards. Appropriate accounting policies are being selected and applied consistently.

The Directors consider that the Group has adequate resources to continue in business for the foreseeable future and are not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditors' Report on page 33.

Auditors' Remuneration

During the year ended 31 December 2012, the Group has incurred auditors' remuneration in respect of review and audit services of approximately RMB284,000 and RMB1,203,000 respectively, which was paid or payable to the Company's auditors, Messrs Deloitte Touche Tohmatsu.

Internal Control

The Group's internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorized use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss rather than the elimination of risks associated with its business activities.

The Board is responsible for maintaining an adequate system of internal control for the Group and the Directors has conducted a review of its effectiveness during the year. Such review covered all material controls, including financial, operational and compliance controls and risk management functions. During the year, the Group also engaged an external consultant to conduct a review on the internal control systems of the Group. The review did not identify any significant issues in the internal systems of the Group and the Board has reviewed the report prepared by the external consultant in respect of the review.

E. COMMUNICATIONS WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHT

The Board recognises the importance of effective communication with the shareholders and investors. The Company communicates with the shareholders and investors through various channels including publication of interim and annual reports, announcements, circulars and other corporate communications and publications available on the websites of the Stock Exchange and the Company.

The general meetings of the Company provide an opportunity for direct communication between the Board and the shareholders. The Company encourages the participation of the shareholders through annual general meetings and other general meetings where the shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the shareholders no less than 20 business days before the meeting. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual Directors.

The Board always ensures that shareholders' and investors' views are heard and understood, and welcomes their questions and concerns relating to the Group's management and governance. The Company's website provides email address and telephone number to enable the shareholders to make any enquiries and concerns to the Board. Shareholders and investors may also at any time send their enquiries and concerns to the Board by addressing to the Company Secretary by post or by email. The contact details are set out in the Corporate Information section of this Annual Report.

Procedures for Shareholders to Convene an Extraordinary General Meeting and to put forward proposals at General Meetings

Pursuant to the Article 58 of the Articles of Associations of the Company, any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for proposing a person for election as a Director

Pursuant to the Article 85 of the Articles of Associations of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice (as defined therein) signed by a Member (as defined therein) (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Constitutional Documents

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2012.

Directors and Senior Management

EXECUTIVE DIRECTORS

Zheng Hong (鄭洪), aged 37, was appointed as the chairman of our Company and an executive Director on 4 May 2011. Mr. Zheng Hong has over 12 years of experience in textile industry. He is one of the founders of our Group and has been a director of Jiangxi Jinyuan since 2005. Prior to joining Jiangxi Jinyuan, Mr. Zheng Hong was a manager of Guangdong Dalang textile sales department (廣東大朗棉紗經營部) of Fujian Changle Jin Lin Sheng Textile Company Limited (福建省長樂市金林生織造有限公司) from 1997 to 1999. From 1999 to 2005, he served as the chairman and general manager of Jingwei Textile Company Limited of the Investment Office in Xiangyang City of Hubei Province (湖北省襄陽市投資辦襄陽經緯紡織有限公司). Mr. Zheng Hong was awarded as the China textile outstanding labour (全國紡織工業勞動模範) and standing committee member (常務理事) of the China cotton and textile industry association (中國棉紡織行業協會) in 2010. In 2001, he was awarded the Outstanding Entrepreneur (2001年度優秀民營企業家) by the CPC Xiangfan Municipal Committee (中共襄樊市委) and the Peoples' Government of Xiangfan City (襄樊市人民政府). In 2004, he was also awarded as the Outstanding Individual (先進個人) by the Xiangyang District Committee of CPC Xiangfan City (中共襄樊市襄陽區委). In 2003, he was appointed as the committee member of the 2nd Committee of the Chinese People's Political Consultative Conference of Xiangyang District of Xiangfan City (襄樊市襄陽區第二屆政協委員). Mr. Zheng Hong graduated in Fujian Commercial College (福建商業高等專科學校) in 1997 with a diploma of business secretary. He further completed Commercial Enterprises Information Strategy and Knowledge Management CEO Advanced Programme (工商企業信息戰略與知識管理總裁高級研修班) in Tsinghua University (清華大學) in 2005. Mr. Zheng Hong is the younger brother of Zheng Yongxiang.

Zheng Yongxiang (鄭永祥), aged 44, was appointed as an executive Director on 4 May 2011. Zheng Yongxiang has over 11 years of experience in textile industry. He joined Jiangxi Jinyuan in 2005 as a general manager and is primarily responsible for formulating the policy and monitoring the operation of the Group. Prior to joining Jiangxi Jinyuan, Zheng Yongxiang served as the general manager of Shaoxing Gangtai Weaving Company Limited (紹興港泰針紡有限公司) from 2001 to 2005. In 2006, Zheng Yongxiang was appointed as the representative of the second Jiangxi Yichun Municipal Chinese People's Congress (江西宜春市第二屆人民代表大會). He received the award of Outstanding Entrepreneur in 2007 (2007年度優秀企業家) from the Yichun Municipal Peoples' Government in 2008. He was awarded the Outstanding Architects of Yichun in the Reforming and Open Up for 30 years (改革開放30年宜春市優秀建設者) in 2008 and the Best Ten Yichun Citizen (十佳宜春人) in 2009. Zheng Yongxiang graduated from the Open University of China (中央廣播電視大學) with a diploma of accounting (finance and accounting) in 2010. Zheng Yongxiang is the elder brother of Mr. Zheng Hong.

NON-EXECUTIVE DIRECTOR

Sze Irons, JP (施榮懷), aged 51, was appointed as a non-executive Director on 4 May 2011. He is one of the founders of our Group and was a director of Jiangxi Jinyuan from 2005 to 2012. Mr. Sze Irons, JP has over 21 years of experience in investment and corporate management. He is an independent non-executive director of Continental Holdings Limited (stock code: 513), a company listed on the Main Board. Mr. Sze Irons, JP was appointed as an executive member of the Beijing Committee of the Chinese People's Political Consultative Conference in 2008. He was also appointed as the vice-chairman of Hunan Province Youth Federation in 2007 and the vice president of the Chinese Manufacturers' Association of Hong Kong. He has been a member of the Council and Court of Lingnan University since 2008. He is elected as a member of the Election Committee of the Chief Executive of Hong Kong from 2007 to 2012. Mr. Sze Irons, JP was appointed the Justice of Peace by the Government of Hong Kong in 2011 and the president of the Chinese Manufacturers' Association of Hong Kong in 2012. Mr. Sze Irons, JP graduated with a bachelor's degree in science from the University of Wisconsin-La Crosse, United States in 1985.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Mei Bo, Mabel (陳美寶), aged 41, was appointed as an independent non-executive Director on 3 December 2011. Ms. Chan is the founder of Mabel Chan & Co, Certified Public Accountants. Ms. Chan has over 18 years of experience in professional accounting field in Hong Kong. Ms. Chan is a practising public accountant in Hong Kong, an associate of The Association of Chartered Certified Accountants (formerly known as The Chartered Association of Certified Accountants), an associate member and the vice president of The Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants), and an associate member of The Institute of Chartered Accountants in England and Wales. Ms. Chan is a certified tax adviser of The Taxation Institute of Hong Kong since 2010. She was the president in 2010 and is a council member of The Society of Chinese Accountants and Auditors. She is also the past president and a council member of the Association of Women Accountants (Hong Kong) Ltd., an associate member of The Taxation Institute of Hong Kong and a member of The Hong Kong Institute of Directors. Ms. Chan was appointed as a member of the Financial Reporting Review Panel of The Financial Reporting Council by the Financial Secretary of Hong Kong, a member of the Create Smart Initiative Vetting Committee, a member of the Barristers Disciplinary Tribunal Panel and a member of the Public Affairs Forum of Hong Kong Secretariat Home Affairs Bureau. Ms. Chan has been serving as an independent non-executive director of companies listed on the Main Board of the Stock Exchange, namely Modern Education Group Limited (stock code:1082) and Kingmaker Footwear Holdings Limited (stock code: 1170), since June 2011 and August 2011, respectively. Ms. Chan graduated with a master degree of business administration from the Hong Kong University of Science and Technology in 2000 and a degree of bachelor of arts in accountancy from City Polytechnic of Hong Kong (now known as City University of Hong Kong) in 1993.

Nie Jianxin (聶鑒新), aged 51, was appointed as an independent non-executive Director on 3 December 2011. Mr. Nie has over 9 years of experience in the industry of chemical fabrics. He is a party committee secretary (院黨委書記) and a chief engineer of the institute of Jiangxi Province Textile Industry Research and Design Institute (江西省紡織工業科研設計院). Mr. Nie has served various positions in Jiujiang Chemicals Fabrics Factory (九江化學纖維廠) including deputy head of factory. Mr. Nie graduated from the South China Institute of Technology (華南工學院) (now known as the South China University of Technology (華南理工大學) with a bachelor's degree in chemical fabrics in 1982. He received the qualifications of professor grade senior engineer (教授級高級工程師) in 2001. Mr. Nie was awarded 3rd honour for science & technology development (江西省科學技術進步獎) in the project named 300D/60F Delustering Viscose Rayon (300D/60F 消光粘膠人造絲) by the Peoples' Government of Jiangxi Province in 2002.

Ng Wing Ka (吳永嘉), aged 43, was appointed as an independent non-executive Director on 3 December 2011. He is a practising solicitor in Hong Kong and is the partner of Tung Ng Tse & Heung Solicitors since 1997. Mr. Ng has served as the committee member of Electronics and Telecommunications Training Board since 2007. He is also the committee member of Hong Kong Ethics Development Centre of Independent Commission Against Corruption and Fire Prevention Committee of Hong Kong East. Since 2005, Mr. Ng has been the independent non-executive director of Yanchang Petroleum International Limited (formerly known as Sino Union Energy Investment Group Limited), a company listed on the Main Board (stock code: 346). Mr. Ng graduated with a bachelor in laws and a postgraduate certificate in laws from the University of Hong Kong in 1991 and 1992, respectively.

SENIOR MANAGEMENT

Liu Weimin (劉偉民), aged 43, is a deputy general manager of Jiangxi Jinyuan. Mr. Liu joined our Group in 2005 and is responsible for production technology management. He has over 22 years of experience in textile industry. Prior to joining Jiangxi Jinyuan, Mr. Liu served as the head of production department in Fujian Mawei Development Zone Chuanlong Textile Company Limited (福建省馬尾開發區川隆紡織有限公司) from 1990 to 1993. From 1993 to 1995, he served as the head of production department of Fujian Jingwei Group Company Limited (福建經緯集團有限公司). From 1995 to 2004, he served as the factory manager and chief engineer of Jinjiang Fuxin Textile Company Limited (晉江福鑫紡織有限公司). Mr. Liu completed the internal auditor training in 2011 provided by Nan Chang Sino Enterprise Management Consulting Centre according to the ISO 9001: 2008 and GB/T24001–2004 (ISO14001:2004) Standard.

Chen Yu Han (陳宇含), aged 30, is a manager of sales department of Jiangxi Jinyuan. Mr. Chen joined Jiangxi Jinyuan in 2005 and is responsible for sales and management. He has over 7 years of experience in textile industry. Mr. Chen graduated from the Jimei University (集美大學) in 2005 with a bachelor's degree in business management.

Cheung Chi Fai Frank (張志輝), aged 50, was appointed as our Company's secretary and chief financial officer of our Company in May 2011. He is also an independent non-executive director of Continental Holdings Limited, a company listed on the Main Board (stock code: 513). He has over 21 years experience in accounting, finance and business management and held senior positions in various multinational companies. He obtained an MBA from the University of Technology, Sydney in 1995 and a professional diploma in accountancy from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in 1985. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Cheung was a part-time tutor at the Open University of Hong Kong from March 2009 to July 2011. He was an executive director of Sun Innovation Holdings Limited, a company listed on the Main Board (stock code: 547) from 2004 to 2007. He also acted as the chief financial officer of Sun Innovation Holdings Limited from 2007 to 2008. He was an independent director of LJ International Inc. (NASDAQ: JADE) from June to October 2007, a director of e-Lux (Hong Kong) Company Limited, a subsidiary of e-Lux Corporation (JASDAQ:6811) from 2001 to 2003, in charge of the telecommunications value added services in Hong Kong, Taiwan and the PRC. He was the group financial controller and a director of New Media Corporation, a subsidiary of e-New Media Company Limited, a company listed on the Stock Exchange (stock code: 128) from 1995 to 1999 and 1999 to 2000, respectively.

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of China Weaving Materials Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 81, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of agreement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	NOTES	2012 RMB'000	2011 RMB'000
Revenue	6	**918,513**	1,085,889
Cost of sales		**(874,384)**	(947,142)
Gross profit		**44,129**	138,747
Other income	8	**23,400**	4,481
Distribution and selling expenses		**(13,388)**	(12,938)
Administrative expenses		**(23,118)**	(20,061)
Other expenses and losses		**(1,110)**	(20,583)
Finance costs	9	**(13,525)**	(20,156)
Profit before tax		**16,388**	69,490
Income tax expense	13	**(15,318)**	(8,852)
Profit and total comprehensive income for the year attributable to owners of the Company	10	**1,070**	60,638
Earnings per share	15		
– Basic (RMB cents)		**0.11**	8.01
– Diluted (RMB cents)		**0.11**	8.01

Consolidated Statement of Financial Position

As at 31 December 2012

	NOTES	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	16	**492,786**	400,332
Prepaid lease payments	17	**35,707**	19,394
Deposits on acquisition of property, plant and equipment or land use rights		**5,718**	2,600
Secured deposit for obligation under finance lease	26	**–**	3,022
		534,211	425,348
Current assets			
Inventories	18	**60,277**	44,611
Trade and other receivables	19	**17,722**	8,839
Bills receivables	20	**4,118**	9,539
Prepaid lease payments	17	**776**	430
Pledged bank deposits	21	**16,250**	24,443
Time deposits	21	**5,126**	128,361
Cash and bank balances	21	**86,765**	86,047
		191,034	302,270
Current liabilities			
Trade and other payables	22	**44,871**	49,278
Bills payables	23	**46,250**	18,650
Tax payable		**5,980**	8,852
Bank borrowings	25	**208,000**	225,817
Obligations under finance leases	26	**2,827**	7,219
		307,928	309,816
Net current liabilities		**(116,894)**	(7,546)
Total assets less current liabilities		**417,317**	417,802
Non-current liabilities			
Deferred income	24	**6,915**	6,564
Bank borrowings	25	**7,000**	–
Deferred tax liability	27	**3,529**	–
Obligations under finance leases	26	**–**	2,833
		17,444	9,397
Net assets		**399,873**	408,405

	NOTE	2012 RMB'000	2011 RMB'000
Capital and reserves			
Share capital	28	**82,899**	81,885
Share premium and reserves		**316,974**	326,520
Total equity attributable to the owners of the Company		**399,873**	408,405

The consolidated financial statements on pages 35 to 81 were approved and authorised for issue by the Board of Directors on 21 March 2013 and are signed on its behalf by:

Zheng Hong
DIRECTOR

Zheng Yongxiang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital/ paid-in capital RMB'000 (note v)	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 2011	148,820	–	38,575	–	25,964	213,359
Issued of shares of Jolly Success	1	–	–	–	–	1
Exchange of shares upon Group Reorganisation (note ii)	(148,739)	–	–	148,739	–	–
Issued of shares through public floatation	20,492	122,950	–	–	–	143,442
Cost of issuing new shares	–	(9,035)	–	–	–	(9,035)
Capitalisation issue (note iii)	61,311	(61,311)	–	–	–	–
Profit and total comprehensive income for the year	–	–	–	–	60,638	60,638
Transfer of statutory surplus reserve	–	–	17,700	–	(17,700)	–
As at 31 December 2011 and 1 January 2012	81,885	52,604	56,275	148,739	68,902	408,405
Issued of shares through exercising over-allotment options (note iv)	1,014	6,086	–	–	–	7,100
Cost of issuing new shares	–	(178)	–	–	–	(178)
Profit and total comprehensive income for the year	–	–	–	–	1,070	1,070
Transfer of statutory surplus reserve	–	–	2,341	–	(2,341)	–
Dividend recognised as distribution (note 14)	–	(16,524)	–	–	–	(16,524)
Set off against accumulated losses (note vi)	–	(24,896)	–	–	24,896	–
As at 31 December 2012	82,899	17,092	58,616	148,739	92,527	399,873

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 13 June 2011, the Company allotted and issued 900,000 nil paid shares, credited as fully paid, together with the existing 100,000 nil paid shares, credited as fully paid, in exchange for the entire share capital of a wholly-owned subsidiary, Jolly Success International Limited ("Jolly Success"). On 14 October 2011, a wholly-owned subsidiary, Treasure Resources Corporation Limited issued 1,000 shares to the shareholders of Jiangxi Jinyuan, in exchange for the entire paid-in capital of Jiangxi Jinyuan, amounting to RMB148,820,000.

(iii) On 22 December 2011, the Company capitalised an amount of HK$74,900,000 (approximately RMB61,311,000) from the amount standing to the credit of the share premium account to pay up in full at par 749,000,000 shares. Those 749,000,000 shares allotted and issued to persons whose names appear on the register of shareholders of the Company at the same date in proportion to their then respective shareholding in the Company.

(iv) 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.

(v) The paid-in capital as at 1 January 2011 represented the registered capital of Jiangxi Jinyuan prior to a Group Reorganisation (defined and explained in note 1).

(vi) 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 accumulated losses of the Company with the amount standing to the credit of the share premium account of the Company. As of 31 December 2012, the entire amount of accumulated losses of the Company amounting to approximately RMB24,896,000 was set off against the share premium account.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year	**1,070**	60,638
Adjustments for:		
Amortisation of deferred income	**(150)**	(150)
Amortisation of prepaid lease payments	**612**	316
Amortisation of upfront fee related to obligation under finance lease	**–**	1,167
Depreciation of property, plant and equipment	**19,626**	18,185
Income tax expenses	**15,318**	8,852
Interest income	**(1,516)**	(1,658)
Interest expenses	**13,337**	18,989
Other finance expenses	**188**	–
Loss on disposal of property, plant and equipment	**15**	44
Operating cash flows before movements in working capital	**48,500**	106,383
(Increase) decrease in inventories	**(15,666)**	71,094
(Increase) decrease in trade and other receivables	**(8,883)**	19,137
Decrease in bills receivables	**5,421**	690
(Decrease) increase in trade and other payables	**(7,125)**	10,162
Increase (decrease) in bills payables	**27,600**	(23,000)
Cash generated from operations	**49,847**	184,466
Interest paid	**(13,748)**	(16,321)
Income tax paid	**(14,661)**	–
NET CASH GENERATED FROM OPERATING ACTIVITIES	**21,438**	168,145
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(108,506)**	(19,658)
Placement of pledged bank deposits	**(69,026)**	(40,616)
Addition to prepaid lease payments	**(14,671)**	(6,480)
Deposits on property, plant and equipment or land use rights	**(5,718)**	(2,600)
Withdrawal of pledged bank deposits	**77,219**	45,782
Withdrawal of time deposit with original maturity more than three months	**30,000**	–
Interest received	**1,516**	878
Government grants received	**501**	–
Increase in time deposit with original maturity more than three months	**–**	(30,000)
NET CASH USED IN INVESTING ACTIVITIES	**(88,685)**	(52,694)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2012

	NOTES	2012 RMB'000	2011 RMB'000
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of bank borrowings		**(278,356)**	(391,150)
Dividends paid	14	**(16,524)**	(85,800)
Repayment of obligations under finance leases		**(4,663)**	(31,245)
Other finance expenses paid		**(188)**	–
Payment for share issue costs		**(178)**	(9,035)
Proceeds from bank borrowings		**267,539**	329,230
Proceeds from issue of new shares		**7,100**	143,442
Repayment to related companies	35	**–**	(25,176)
Repayment to a director	35	**–**	(7,000)
Advance from related companies	35	**–**	25,176
Advance from a director	35	**–**	7,000
Proceed from issue of shares of Jolly Success to its former shareholder		**–**	1
NET CASH USED IN FINANCING ACTIVITIES		**(25,270)**	(44,557)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(92,517)**	70,894
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		**184,408**	113,514
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**91,891**	184,408
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**86,765**	86,047
Time deposits with original maturity less than three months		**5,126**	98,361
		91,891	184,408

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. GENERAL

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

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 14 October 2011, as set out in "History and Corporate Structure" in the prospectus issued by the Company dated 12 December 2011. The Group resulting from the Group Reorganisation is regarded as a restructure by interspersing the Company between Jolly Success International Limited, Treasure Resources Corporation Limited and shareholders of Jinyuan Textile Co., Ltd. Jiangxi ("Jiangxi Jinyuan"). Accordingly, the financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group.

The Company is an investment holding company. Its operating subsidiary, 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 consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As of 31 December 2012, the Group had net current liabilities of approximately RMB116,894,000 (2011: RMB7,546,000). Up to the date these consolidated financial statements were authorised for issuance, the relevant banks agreed to renew bank loans amounting to RMB193,000,000 currently included in current liabilities as at 31 December 2012. In addition, the Group has undrawn banking facilities of RMB140,000,000 as at 31 December 2012 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 consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB").

Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets; and
Amendments to IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statement.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The Group has applied for the first time the amendments to IFRS 7 Disclosures – Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group endorsed certain bills receivables to suppliers to exchange for goods and services from those suppliers which transferred the contracted rights to receive cash flows from those bills receivables to the respective suppliers on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to those bills receivables, it continues to recognise the full carrying amount of the bills receivables and the corresponding trade payables (see note 20).

The relevant disclosures have been made regarding the transfer of those bills receivables on application of the amendments to IFRS 7 (see note 20).

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective during the year:

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle[1]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[2]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[3]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[4]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2015
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2014

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. 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 to IAS 1 also require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to IAS 1 are effective for the Group for annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied.

The directors expect that the application of the other new and revised standards, amendments or interpretations will not have a material effect on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discount and sales related taxes.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits from customers prior to meeting the revenue recognition criteria are included in the consolidated statement of financial position under current liabilities.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administration purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than properties under construction, less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	3%
Leasehold improvement	33.3%
Plant and machinery	5% – 10%
Office equipment	5% – 10%
Motor vehicles	10%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is included in the profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see accounting policy above).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Sale and leaseback

A sale and leaseback transaction involves the sales of machineries and the leasing back of the same assets. When a sale and leaseback transaction results in a finance lease and their sales proceeds are equal to their carrying amount, no income or loss shall be recognised by the Group as lessee.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reverse of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are mainly loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivables, time deposits, pledged bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the due date, observable changes in national or local economic conditions that correlate with default on receivables and the financial performance of the customers.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets *(Continued)*

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the loans and receivables at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceed received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, bills payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Depreciation

The Group depreciates the property, plant and equipment over their estimated useful lives, using straight-line method, at the rates ranging from 3% to 33.3% per annum. The estimated useful lives that the Group depreciates the property, plant and equipment reflect the management's estimate of the periods that the Group intends to derive future economic benefits from the use of the assets by taking into account of industry normal practice. The Group's carrying amount of property, plant and equipment as at 31 December 2012 was approximately RMB492,786,000 (2011: RMB400,332,000).

6. REVENUE

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

	2012 RMB'000	2011 RMB'000
Sales of polyester yarns	457,062	525,711
Sales of polyester-cotton blended yarns	406,214	487,441
Sales of cotton yarns	55,237	72,737
	918,513	1,085,889

7. 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 6, 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 years ended 31 December 2012 and 2011, respectively. The operations of Jiangxi Jinyuan represent a 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 2012 and 2011. Reconciliation of segment results, segment assets and segment liabilities reviewed by the CODM which are different from the Group's results, total assets and total liabilities are as follows.

	2012 RMB'000	2011 RMB'000
Segment profit reviewed by CODM	679	82,122
Adjusted for income in relation to government grants	17,596	550
Unallocated income	456	628
Listing expenses	–	(20,583)
Administrative and other expenses	(8,770)	(2,079)
Taxation	(8,891)	–
Group's profit for the year	1,070	60,638

7. SEGMENT INFORMATION (Continued)

	2012 RMB'000	2011 RMB'000
Segment assets reviewed by CODM	717,636	612,965
Time deposits with original maturity less than three months	5,126	98,361
Cash and bank balances	1,165	16,222
Property, plant and equipment	1,052	–
Other unallocated assets	266	70
Group's total assets	725,245	727,618

	2012 RMB'000	2011 RMB'000
Segment liabilities reviewed by CODM	313,260	311,024
Adjusted for deferred income	6,915	6,564
Accrued listing and administrative expenses	1,668	1,625
Deferred tax liabilities	3,529	–
Group's total liabilities	325,372	319,213

Non-current assets (excluding financial assets) by location of assets:

	2012 RMB'000	2011 RMB'000
PRC	533,159	425,348
Hong Kong	1,052	–
	534,211	425,348

Geographical information

All the Group's revenue were derived from sales of polyester yarns, polyester-cotton blended yarns and cotton yarns in the PRC based on where goods are delivered to, which are also same as the location of customers.

Information about major customers

No revenue from single customer contributed over 10% of the total sales of the Group in the years ended 31 December 2012 and 2011.

8. OTHER INCOME

	2012 RMB'000	2011 RMB'000
Government grants (Note)	**17,596**	550
Interest income on time deposits, pledged bank deposits and bank balances	**1,516**	878
Interest income on secured deposit for obligation under finance lease	**–**	780
Income from scrap sales	**3,989**	1,486
Net foreign exchange gains	**–**	618
Others	**299**	169
	23,400	4,481

Note:
For the year ended 31 December 2012, government grants mainly represent subsidies of RMB17,446,000 (2011: Nil) 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 RMB17,446,000 was recognised in the consolidated statement of comprehensive income when the grant was received. The remaining RMB150,000 (2011: RMB150,000) 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. Details are set out in Note 24.

9. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Interest on:		
– Bank borrowings wholly repayable within five years	**13,748**	16,321
– Finance leases	**460**	4,685
	14,208	21,006
Upfront fee related to obligation under finance lease	**–**	1,167
Other finance expenses	**188**	–
	14,396	22,173
Less: amounts capitalised	**(871)**	(2,017)
	13,525	20,156

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.68% (2011: 6.01%) per annum to expenditure on qualifying assets.

10. PROFIT FOR THE YEAR

	2012 RMB'000	2011 RMB'000
Profit for the year has been arrived at after charging:		
Auditors' remuneration	**1,203**	1,074
Cost of inventories recognised as an expense	**874,384**	947,142
Depreciation of property, plant and equipment	**19,626**	18,185
Amortisation of prepaid lease payments	**612**	316
Total depreciation and amortisation	**20,238**	18,501
Loss on disposal of property, plant and equipment	**15**	44
Listing expenses (included in other expenses and losses)	**–**	20,583
Exchange loss (included in other expenses and losses)	**1,110**	–
Other staff costs (excluding directors)	**67,241**	59,444
Retirement benefit scheme contributions (excluding directors)	**9,647**	4,708
Total other staff costs	**76,888**	64,152

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the six (2011: six) directors and chief executive were as follows:

	Directors						
	Mr. Zheng, Hong RMB'000	**Mr. Zheng, Yongxiang RMB'000**	**Mr. Sze, Irons, J.P. RMB'000**	**Ms. Chan Mei Bo, Mabel RMB'000**	**Mr. Ng Wing Ka RMB'000**	**Mr. Nie Jianxin RMB'000**	**Total 2012 RMB'000**
Fees	**–**	**–**	**122**	**122**	**122**	**122**	**488**
Salaries and other benefits	**1,219**	**975**	**–**	**–**	**–**	**–**	**2,194**
Retirement benefit scheme contributions	**11**	**17**	**–**	**–**	**–**	**–**	**28**
Total emoluments	**1,230**	**992**	**122**	**122**	**122**	**122**	**2,710**

	Directors						
	Mr. Zheng, Hong RMB'000	Mr. Zheng, Yongxiang RMB'000	Mr. Sze, Irons, J.P. RMB'000	Ms. Chan Mei Bo, Mabel RMB'000	Mr. Ng Wing Ka RMB'000	Mr. Nie Jianxin RMB'000	Total 2011 RMB'000
Fees	–	–	10	10	10	10	40
Salaries and other benefits	203	201	–	–	–	–	404
Retirement benefit scheme contributions	–	2	–	–	–	–	2
Total emoluments	203	203	10	10	10	10	446

Mr. Zheng, Yongxiang is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Neither the chief executive nor any of the directors waived any emoluments in the years ended 31 December 2012 and 2011.

12. EMPLOYEE EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2011: two) were directors and the chief executive of the Company whose emoluments are included in disclosures in note 11 above. The emoluments of the remaining two (2011: three) individuals were as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other benefits	**1,037**	445
Retirement benefit scheme contributions	**26**	5
	1,063	450

	2012 Number of employees	2011 Number of employees
Their emoluments were within the following band:		
HK$nil – HK$1,000,000	**1**	3
HK$1,000,001 – HK$1,500,000	**1**	–

13. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
Current tax		
PRC Enterprise Income Tax ("EIT")	**8,693**	8,852
Withholding tax on distributed earnings from a subsidiary	**1,000**	–
Underprovision in prior year	**2,096**	–
Deferred tax (note 27)	**3,529**	–
	15,318	8,852

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

The tax charge in respect of the current year 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% from 1 January 2011 onwards.

Jiangxi Jinyuan purchased certain domestic manufactured equipment in 2006 and 2007. In accordance with Cai Shui Zi [2000] No.49 on Notice concerning the Reduction in Enterprise Income Tax for Purchase of Domestic Manufactured Equipment by Enterprises with Foreign Investment and Foreign Enterprises issued by the Ministry of Finance and the State Administration of Taxation, part of the purchase costs of the domestic manufactured equipment could be utilised to reduce its EIT.

13. INCOME TAX EXPENSE (continued)

The application of EIT reduction related to the purchase of domestic manufactured equipment in 2006 and 2007 was approved by the Jiangxi Administration of State Taxation of Fengxi District. Jiangxi Jinyuan was entitled to a total tax reduction of RMB38.4 million for the years ended 31 December 2006 and 2007. Tax reduction of RMB23.6 million has been utilised prior to 2011 and the remaining RMB14.8 million was utilised for the year ended 31 December 2011. All the tax reduction has been utilised as at 31 December 2011.

In accordance with Circular Guo Shui Fa [2008] No.52 on Ceasing Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Purchase of Domestic Manufactured Equipment issued by State Administration of Taxation, the granting of tax credit on purchase of domestic manufactured equipment on or after 1 January 2008 was ceased.

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, and remains at 10% otherwise. Deferred tax has been provided in the consolidated statement of comprehensive income in respect of the temporary differences attributable to the undistributed earnings of the PRC subsidiary based on 5% (See note 27).

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2012 **RMB'000**	2011 RMB'000
Profit before tax	**16,388**	69,490
Tax at PRC EIT rate of 25%	**4,097**	17,372
Tax effect of income not taxable for tax purpose	**(151)**	(157)
Tax effect of expenses not deductible for tax purpose	**2,601**	5,806
Tax effect of deductible temporary differences not recognised	**2,146**	1,086
Underprovision in respect of prior year	**2,096**	–
Withholding taxes charged on dividend declared by Jiangxi Jinyuan	**1,000**	–
Withholding tax arising from undistributed profits of Jiangxi Jinyuan	**3,529**	–
Additional tax credit for purchase of domestic manufactured equipment	**–**	(14,790)
Others	**–**	(465)
Income tax expenses for the year	**15,318**	8,852

14. DIVIDENDS

	2012 RMB'000	2011 RMB'000
Final dividend declared for 2011 – HK2.0 cents per share (2011: Nil)	**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.

Subsequent to the end of the reporting period, a final dividend of HK1.0 cent in respect of the year ended 31 December 2012 (2011: final dividend of HK2.0 cents in respect of the year ended 31 December 2011) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

15. 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:

	2012 RMB'000	2011 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share Profit for the year attributable to owners of the Company	**1,070**	60,638

	2012 '000	2011 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,011,885**	756,849
Effect of dilutive potential ordinary shares – over-allotment options	**332**	101
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,012,217**	756,950

The number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2011 had been adjusted retrospectively assuming that the Group Reorganisation and the share capitalisation issue on 3 December 2011 have been effective from 1 January 2011 and accordingly, the 750,000,000 ordinary shares of the Company which were in issue and outstanding immediately after the Group Reorganisation were assumed to have issued and outstanding as at 1 January 2011.

The number of ordinary shares for the purposes of calculation of basic and diluted earnings per share for the year ended 31 December 2011 has been adjusted for the new shares issued on public floatation on 22 December 2011.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Construction in progress RMB'000	Plant and machinery RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST							
At 1 January 2011	136,721	1,116	291,010	–	1,597	3,917	434,361
Additions	–	34,432	2,161	–	532	–	37,125
Disposals	–	–	(50)	–	(110)	–	(160)
Transfer from construction in progress	35,548	(35,548)	–	–	–	–	–
At 31 December 2011 and 1 January 2012	172,269	–	293,121	–	2,019	3,917	471,326
Additions	–	103,472	7,214	342	376	691	112,095
Disposals	–	–	–	–	(143)	(10)	(153)
At 31 December 2012	172,269	103,472	300,335	342	2,252	4,598	583,268
ACCUMULATED DEPRECIATION							
At 1 January 2011	11,573	–	39,859	–	524	969	52,925
Charge for the year	4,188	–	13,339	–	335	323	18,185
Elimination on disposals	–	–	(17)	–	(99)	–	(116)
At 31 December 2011 and 1 January 2012	15,761	–	53,181	–	760	1,292	70,994
Charge for the year	5,012	–	13,881	86	268	379	19,626
Elimination on disposals	–	–	–	–	(129)	(9)	(138)
At 31 December 2012	20,773	–	67,062	86	899	1,662	90,482
CARRYING AMOUNTS							
At 31 December 2012	151,496	103,472	233,273	256	1,353	2,936	492,786
At 31 December 2011	156,508	–	239,940	–	1,259	2,625	400,332

All the Group's buildings and buildings under construction are located in the PRC under medium-term lease.

Buildings and plant and machinery with an aggregate carrying amount at 31 December 2012 of approximately RMB235.0 million (2011: RMB297.2 million) have been pledged to secure general banking facilities granted to the Group (see note 34).

17. PREPAID LEASE PAYMENTS

All the Group's prepaid lease payments are located in the PRC under medium-term lease.

	2012 RMB'000	2011 RMB'000
Analysed for reporting purposes as:		
Current assets	**776**	430
Non-current assets	**35,707**	19,394
	36,483	19,824

Prepaid lease payments with a carrying amount of approximately RMB19.4 million (2011: RMB13.3 million) have been pledged to secure general banking facilities granted to the Group as at 31 December 2012 (see note 34).

18. INVENTORIES

	2012 RMB'000	2011 RMB'000
Raw materials	**27,157**	20,101
Work in progress	**9,369**	8,436
Finished goods	**23,751**	16,074
	60,277	44,611

As at 31 December 2011, inventories with a carrying amount of approximately RMB44.6 million (2012: Nil) had been pledged to secure general banking facilities granted to the Group (see note 34).

19. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables	**1,409**	900
Advance payment to suppliers	**15,920**	7,837
Prepayments and other receivables	**393**	102
	17,722	8,839

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.

19. TRADE AND OTHER RECEIVABLES (continued)

No interest is charged on overdue trade receivables. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

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.

	2012 RMB'000	2011 RMB'000
1–30 days	**1,394**	–
31–90 days	**15**	900
	1,409	900

Before accepting any new customer, the Group has assessed the potential customer's credit quality. The Group reviews the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable. For the accounts receivables which are neither past due nor impaired, the management assessed the balances are with good credit quality with reference to their past repayment history.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB15,000 (2011: RMB900,000) as at 31 December 2012 which are past due as at the reporting date for which the Group has not provided for impairment loss. Based on historical experience, the receivables are generally recoverable as supported by on-going settlements from customers. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2012 RMB'000	2011 RMB'000
31–90 days	**15**	900

20. BILLS RECEIVABLES

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

	2012 RMB'000	2011 RMB'000
1–30 days	800	1,050
31–60 days	300	550
61–90 days	612	6,889
91–120 days	276	100
121–150 days	50	450
Over 150 days	2,080	500
	4,118	9,539

The following were the Group's bills receivable as at 31 December 2012 and 2011 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. These bills receivables are carried at amortised cost in the Group's consolidated statement of financial position.

	Bills receivables endorsed to suppliers with full recourse	
	2012 RMB'000	2011 RMB'000
Carrying amount of bills receivable	4,118	8,889
Carrying amount of trade payable	(4,118)	(8,889)

21. PLEDGED BANK DEPOSITS/TIME DEPOSITS/CASH AND BANK BALANCES

	2012 RMB'000	2011 RMB'000
Pledged bank deposits	**16,250**	24,443
Time deposits with original maturity less than three months	**5,126**	98,361
Time deposits with original maturity more than three months but less than six months	**–**	30,000
Bank balances	**86,765**	86,047
	108,141	238,851

Pledged bank deposits, time deposits and bank balances of the Group carry interest at market rates per annum which are as follows:

	2012	2011
Pledged bank deposits	**3.05%**	3.3%
Time deposits with original maturity less than three months	**1.015%**	1.6% – 2.1%
Time deposits with original maturity more than three months but less than six months	**N/A**	3.3%
Bank balances	**0.01% – 0.35%**	0.01% – 0.5%

Included in pledged bank deposits, time deposits and bank balances and cash that are not denominated in the functional currencies are as follows:

	2012 RMB'000	2011 RMB'000
Hong Kong dollars	**6,292**	114,572

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group (see note 34). As at 31 December 2012, an amount of approximately RMB16,250,000 (2011: RMB14,443,000) were pledged to banks for settlement of bills payables and trust receipt loans upon maturity. RMB10,000,000 as at 31 December 2011 was pledged for securing short term bank borrowings and was released upon settlement of the relevant bank borrowings during the year ended 31 December 2012.

22. TRADE AND OTHER PAYABLES

	2012	2011
	RMB'000	RMB'000
Trade payables	**5,747**	12,714
Value-added tax payable	**2,421**	6,016
Other payables	**1,737**	1,116
Other tax payable	**1,273**	551
Accrual for salary and wages	**5,400**	4,800
Accrual for social insurance	**12,928**	4,344
Other accrued charges	**7,006**	6,050
Payable for acquisition of property, plant and equipment	**2,718**	–
Deposits from customers	**5,641**	13,687
	44,871	49,278

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

	2012	2011
	RMB'000	RMB'000
1–30 days	**2,287**	4,825
31–90 days	**1,880**	2,383
Over 90 days	**1,580**	5,506
	5,747	12,714

In general, the Group will make advance payment to suppliers before the materials are received. The creditors may, in some cases, allow a credit period and the average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

23. BILLS PAYABLES

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

	2012	2011
	RMB'000	RMB'000
1–30 days	**–**	1,000
31–90 days	**26,250**	6,250
91–180 days	**20,000**	11,400
	46,250	18,650

24. DEFERRED INCOME

The deferred income comprised the refund of the purchase cost of land use right, provided in relation to the establishment of Jiangxi Jinyuan in 2005 amounted to approximately RMB7,488,000.

Government grants are recognised as deferred income in the consolidated statement of financial position when received. For the refund of purchase cost of land use right, it is transferred to profit or loss over the lease terms of the land use right, which is 50 years. This policy has resulted in a credit to income in current year of approximately RMB150,000 (2011: RMB150,000). As at 31 December 2012, an aggregate carrying amount of approximately RMB6,415,000 (2011: RMB6,564,000) remains to be amortised.

During the year ended 31 December 2012, the Group received subsidies from the Ministry of Finance of Yichun City, Jiangxi Province 江西奉新工業園區財政所 and 江西奉新縣科技局 for carrying out research activities relating to product development amounted to RMB500,000 (2011: nil).

The subsidies have not been released to profit or loss in 2012 as the Group has not incurred any research expenditure for which the subsidies are intended to compensate.

25. BANK BORROWINGS

	2012 RMB'000	2011 RMB'000
Secured bank borrowings (Note 1)	**205,000**	225,817
Unsecured bank borrowings (Note 2)	**10,000**	–
	215,000	225,817
Carrying amount repayable*:		
Within one year	**208,000**	225,817
More than one year, but not exceeding two years	**7,000**	–
	215,000	225,817
Less: Amounts due within one year shown under current liabilities	**(208,000)**	(225,817)
	7,000	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes:

(1) These bank borrowings were secured by the Group's land use rights, buildings, plant and machinery, inventories, bank deposits and secured deposit (see note 34). The Group has obtained banking facilities relating to trust receipt loans of approximately RMB3.8 million (2012: Nil) as at 31 December 2011 and they bore bank charges of 0.05% of the issued trust receipt loans. As at 31 December 2011, the Group had trust receipt loans of approximately RMB3.8 million (2012: Nil).

Except for the trust receipt loan as mentioned above, the remaining bank borrowings bore fixed interest rates at 6.31% and 6.56% (2011: 6.31%) per annum or floating interest rates ranging from 103% to 123% (2011: 100% to 120%) of the benchmark borrowing rate in the PRC as at 31 December 2012.

(2) Unsecured bank borrowings bore floating interest rate at 110% of the benchmark borrowings rate in the PRC as at 31 December 2012.

(3) The weighted average effective interest rate on bank borrowings is 6.6% (2011: 6.8%) per annum as at 31 December 2012. All borrowings are denominated in RMB.

(4) At 31 December 2012, the Group has RMB140,000,000 (2011: RMB180,000,000) undrawn borrowing facilities. As at 31 December 2011, RMB40,000,000 (2012: Nil) were secured by the Group's plant and machinery (see note 34).

(5) Up to the date these consolidated financial statements were authorised for issuance, the Group has agreed with certain banks to renew bank loans amounting to RMB193,000,000.

26. OBLIGATIONS UNDER FINANCE LEASES

The Group entered into sale and leaseback arrangements with certain independent third parties in relation to certain of Group's machineries during the years ended 31 December 2010 and 2009. The Group considered that these lease arrangements are finance lease as substantially all the risks and rewards incidental to ownership of these machineries retained with the Group. In addition, the Group has options to purchase the machineries with a nominal amount at the end of the lease terms. The lease term is 4 years (2011: 3 to 4 years). Interest rates underlying all obligations under finance leases are fixed at the date of inception at 8.0% (2011: 5.8% to 8.0%) per annum. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases:				
Within one year	**2,944**	7,684	**2,827**	7,219
In more than one year but not more than two years	**–**	2,944	**–**	2,833
	2,944	10,628	**2,827**	10,052
Less: future finance charges	**(117)**	(576)	**N/A**	N/A
Present value of lease obligations	**2,827**	10,052	**2,827**	10,052
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(2,827)**	(7,219)
Amount due for settlement after 12 months			**–**	2,833

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets and denominated in RMB. The obligations with carrying amount of approximately RMB3,212,000 as at 31 December 2011, were also secured by deposits amounting to approximately RMB3,022,000 (see note 34).

In December 2011, the Group early settled finance lease of approximately RMB20,800,000 and the related deposit amounting to RMB12,500,000 in respect of the finance lease had been net off against the final settlement amount (see note 38). The remaining deposit of RMB3,022,000 was held for settling the purchase cost of the relevant assets at the end of the lease term and was therefore classified under non-current assets in the consolidated statement of financial position at 31 December 2011. This deposit bore fixed rate interest at 2% per annum and interest income was receivable upon the expiry of lease term. In 2012, the remaining deposit of RMB3,022,000 was used to settle the purchase cost of the relevant assets (see note 38).

27. DEFERRED TAX LIABILITY

The following is the deferred tax liability recognised by the Group, and the movements thereon during the current years are as follows:

	Undistributed earnings of the PRC subsidiary RMB'000
At 1 January 2011 and 1 January 2012	–
Charge to profit or loss (note 13)	(3,529)
At 31 December 2012	(3,529)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by a PRC subsidiary from 1 January 2008 onwards. At 31 December 2011, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiary amounting to RMB77,119,000 as the Group was able to control the timing of the reversal of the temporary differences and it was probable that the temporary differences will not reverse in the foreseeable future. At 31 December 2012, deferred tax has been provided on the entire undistributed earnings on the PRC subsidiary from 1 January 2008.

At the end of the reporting period, the Group has deductible temporary differences of RMB12,928,000 (31 December 2011: RMB4,344,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that the deductible temporary differences can be utilised.

28. SHARE CAPITAL

	Number of shares '000	HK$'000	RMB'000
Authorised:			
At 4 May 2011, date of incorporation (note i) (at HK$0.1 each)	3,800	380	311
Increase in authorised share capital (note iii)	9,996,200	999,620	819,361
At 31 December 2011 and 31 December 2012	10,000,000	1,000,000	819,672
Issued and fully paid:			
At 4 May 2011, date of incorporation (note i) (at HK$0.1 each)	100	10	8
Shares allotment for acquisition of Jolly Success (note ii)	900	90	74
	1,000	100	82
Issued pursuant to Group Reorganisation (note iii)	749,000	74,900	61,311
Issue on public floatation (note iv)	250,000	25,000	20,492
At 31 December 2011 and 1 January 2012	1,000,000	100,000	81,885
Issue on exercising over-allotment option (note v)	12,500	1,250	1,014
At 31 December 2012	1,012,500	101,250	82,899

Notes:

(i) The Company was incorporated on 4 May 2011 with an authorised share capital of HK$380,000 divided into 3,800,000 ordinary shares with a nominal value of HK$0.1 each and 1 nil paid share with nominal value of HK$0.1 allotted and issued to the sole subscriber. On the same day, the Company further allotted and issued 99,999 nil paid shares to the subscribers.

(ii) On 13 June 2011, the Company further allotted and issued 900,000 nil paid shares, together with the existing 100,000 nil paid shares in issue, in exchange of the entire share capital of Jolly Success.

(iii) Pursuant to a resolution passed by directors of the Company on 3 December 2011, the authorised share capital of the Company was increased from HK$380,000 to HK$1,000,000,000 by the creation of an additional 9,996,200,000 ordinary shares with a nominal value of HK$0.1 each. On 22 December 2011, the Company allotted and issued fully paid up share capital of HK$74,900,000, divided into 749,000,000 ordinary shares with a nominal value of HK$0.1 to the existing shareholders by capitalising the amount of HK$74,900,000 from the amount standing to the credit of share premium.

(iv) On 22 December 2011, the Company issued 250,000,000 shares pursuant to the Company's initial public offering at a price of HK$0.7 per share equivalent to approximately RMB143,442,000 in total upon the listing of the shares of the Company on the Stock Exchange. The new shares allotted and issued rank pari passu in all respects with other shares in issue to the existing shareholders.

(v) On 22 December 2011, the Company granted 37,500,000 over-allotment options to underwriters, which was exercisable no later than 30 days after the date of listing of the Company. On 18 January 2012, the over-allotment shares of 12,500,000 were allotted and issued by the Company at HK$0.7 per share. The Company received net proceeds of approximately HK$8,500,000 (equivalent to approximately RMB6,922,000) from these overallotment shares, after deduction of share issue cost of approximately RMB178,000 payable by the Company. The new shares rank pari passu with the existing shares in all respects.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debts (which includes bank borrowings and obligations under finance leases, net of cash and cash equivalents) and equity attributable to owners of the Company, comprising share capital, share premium and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new capital injection as well as the issue of new debt.

30. FINANCIAL INSTRUMENTS

30a. Categories of financial instruments

	2012 RMB'000	2011 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	113,894	249,372
Financial liabilities		
Amortised cost	271,452	258,297

30b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bills receivables, time deposits, pledged bank deposits, cash and bank balances, trade and other payables, bills payables and bank borrowings.

Details of these financial instruments of the Group are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

30. FINANCIAL INSTRUMENTS (Continued)

30b. Financial risk management objectives and policies (Continued)

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 25) and obligations under finance leases (see note 26).

The Group exposed to cash flow interest rate risk in relation to the variable-rate pledged bank deposits, bank balances and bank borrowings (see notes 21 and 25).

The Group's exposure to cash flow interest rates risk on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of benchmark borrowings rate in the PRC arising from the bank borrowings and fluctuation of bank deposit rates in the PRC and Hong Kong arising from bank balances and pledged bank deposits.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. No sensitivity is presented for variable-rate pledged bank deposits and bank balances as the directors considered that the interest rate fluctuation is minimal. For bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A 50 basis points (2011: 50 basis points) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2011: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2012 (net of interest capitalised to constructions in progress) would decrease/increase by approximately RMB616,000 (2011: RMB613,000).

In the opinion of the management, the sensitivity analysis is unrepresentative of the interest rate risk inherent in the financial liabilities as the year end exposure does not reflect the exposure during the year.

(ii) Currency risk

The Group has foreign currency time deposits, cash and bank balances, other receivables and other payables, which expose the Group to risk in Hong Kong Dollars ("HK$"). The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities are as follows:

	Assets		Liabilities	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
HK$	**6,410**	114,653	**1,667**	1,049

30. FINANCIAL INSTRUMENTS (Continued)

30b. Financial risk management objectives and policies (Continued)

(ii) Currency risk (Continued)

Sensitivity analysis

The sensitivity analysis below includes foreign currency denominated monetary items at the end of the reporting periods and has been determined based on the exposure to exchange rates of HK$ against RMB. For a 5% (2011: 5%) weakening of HK$ against RMB and all other variables being held constant, the Group's post-tax profit for the year ended 31 December 2012 would decrease by approximately RMB169,000 (2011: RMB4,057,000).

There would be an equal and opposite impact on the post-tax profit for the year where the HK$ strengthens against RMB by 5%.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(iii) Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk of trade receivables, the management of the Group has delegated a team responsible for determination of credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group also requests deposits from customers prior to sales transactions. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk for bills receivables, time deposits, pledged bank deposits and bank balances is considered as minimal as such amounts are to be settled by or placed with banks with good reputation in PRC and Hong Kong.

The Group has concentration of credit risk on the Group's trade receivables and bills receivables as all of the customers are involved in clothing or textile industry and located in the PRC.

Other than concentration of credit risk on liquid funds which are deposited with several banks with good reputation in PRC and Hong Kong and save as disclosed elsewhere in the consolidated financial statements, the Group does not have any other significant concentration of credit risk.

30. FINANCIAL INSTRUMENTS (Continued)

30b. Financial risk management objectives and policies (Continued)

(iv) Liquidity risk

In preparing the consolidated financial statements, the management of the Group has given careful consideration to the future liquidity and going concern of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately RMB116,894,000 (2011: RMB7,546,000) as at 31 December 2012. Up to the date these consolidated financial statements were authorised for issuance, certain banks agreed to renew bank loans amounting to RMB193,000,000 and the Group had undrawn banking facilities of RMB140,000,000. The Group relies on bank borrowings as a significant source of liquidity. The management of the Group is satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the banking facilities already in place and internal financial resources and accordingly, the consolidated financial statements have been prepared on a going concern basis.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting periods. The amounts included below for variable rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting periods.

Liquidity and interest risk tables

	Weighted average interest rate	On demand or less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2012							
Non-derivative financial liabilities							
Trade and other payables	–	10,202	–	–	–	10,202	10,202
Bills payables	–	–	26,250	20,000	–	46,250	46,250
Obligations under finance leases	8.00%	–	1,061	1,883	–	2,944	2,827
Bank borrowings							
– fixed	6.37%	–	–	41,209	–	41,209	40,000
– variable	6.67%	–	–	174,088	7,901	181,989	175,000
		10,202	27,311	237,180	7,901	282,594	274,279

30. FINANCIAL INSTRUMENTS (Continued)

30b. Financial risk management objectives and policies (Continued)

(iv) Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average interest rate	On demand or less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2011							
Non-derivative financial liabilities							
Trade and other payables	–	5,942	2,382	5,506	–	13,830	13,830
Bills payables	–	1,000	6,250	11,400	–	18,650	18,650
Obligations under finance leases	7.38%	–	4,383	3,301	2,944	10,628	10,052
Bank borrowings							
– interest free	–	3,817	–	–	–	3,817	3,817
– fixed	6.31%	–	–	30,573	–	30,573	30,000
– variable	7.01%	–	15,267	184,330	–	199,597	192,000
		10,759	28,282	235,110	2,944	277,095	268,349

30c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

31. CAPITAL COMMITMENTS

	2012 RMB'000	2011 RMB'000
Contracted for but not provided in the consolidated financial statements in respect of property, plant and equipment and construction of new production facilities and infrastructure	**98,047**	34,552
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	**35,377**	66,712

32. OPERATING LEASES

	2012 RMB'000	2011 RMB'000
Minimum lease payments paid under operating lease during the year for premises	373	–

At 31 December 2012, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2012 RMB'000	2011 RMB'000
Within one year	396	–
In the second to fifth year inclusive	462	–
	858	–

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

33. RETIREMENT BENEFIT SCHEME

Prior to 1 July 2011, the employees of Jiangxi Jinyuan are mainly workers with rural residence which Jiangxi Jinyuan did not have mandatory obligation to pay social insurance payments for these workers pursuant to the regulations regarding rural social security systems. Certain of the remaining employees contributed to retirement benefit scheme in accordance with the relevant regulations of local authority. After 1 July 2011, all employees are required to contribute to retirement benefit scheme promulgated at the national level. It is required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

In addition, the Group operates a mandatory Provident Fund Scheme for all qualifying employees in the Group. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs with the maximum monthly amount of HK$1,000 (increase to HK$1,250 since 1 June 2012) to the Scheme, which contribution is matched by employees.

The total cost charged to consolidated statement of comprehensive income of approximately RMB9,675,000 (2011: RMB4,710,000) for the year ended 31 December 2012, represent contribution to the schemes during the year. As at 31 December 2012, contributions of approximately RMB12,928,000 (2011: RMB4,344,000) due in respect of the year had not been paid over to the schemes.

34. PLEDGED OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group (see notes 25 and 26):

	2012 RMB'000	2011 RMB'000
Property, plant and equipment	**235,098**	297,229
Prepaid lease payments	**19,405**	13,330
Inventories	**–**	44,611
Pledged bank deposits	**16,250**	24,443
Secured deposit for obligation under finance lease	**–**	3,022
	270,753	382,635

In addition, the Group's obligation under finance lease (see note 26) are secured by the lessors' title to the leased assets, which have a carrying amount of RMB12.9 million (2011: RMB23.9 million) as at 31 December 2012. As disclosed in Note 20, the Group has endorsed certain bills receivables to its suppliers for settlement of trade payables.

35. RELATED PARTY TRANSACTIONS

(a) Names of related companies which have transactions with the Group during the year ended 31 December 2011 and their relationships with the Group are as follows:

Name of related company	Relationship with the Group
(i) 福建省金綸高纖股份有限公司 (Fujian Jinlun Fiber Joint Stock Co., Ltd.*) ("Fujian Jinlun")	Mr. Zheng Baoyou, being father of Mr. Zheng Hong, executive director and a shareholder with significant influence over the Company, is the chairman and legal representative of this related company
(ii) 高新織材(香港)有限公司 (High-Tech Woven Material (Hong Kong) Limited) ("High-Tech Woven Material")	Mr. Zheng Hong has control over this related company

* English translated name is for identification purposes only.

(b) Name of related party who is an individual and had transactions with the Group during the year ended 31 December 2011 and his relationship with the Group is as follows:

Name of related party	Relationship with the Group
Mr. Zheng, Hong	Executive director and a shareholder with significant influence over the Company

35. RELATED PARTY TRANSACTIONS (Continued)

(c) The Group had the following material transactions with its related parties during the years:

	2012 RMB'000	2011 RMB'000
Purchase of raw materials from Fujian Jinlun	–	3,385
Repayment to High-Tech Woven Material	–	(25,176)
Non-trading advance from High-Tech Woven Material	–	25,176
Advance from Mr. Zheng, Hong	–	7,000
Repayment to Mr. Zheng, Hong	–	(7,000)

(d) **Compensation of key management personnel**

The remuneration of directors of the Company and other members of key management of the Group during the years was as follows:

	2012 RMB'000	2011 RMB'000
Short-term benefits	**3,651**	889
Post-employment benefits	**50**	8
	3,701	897

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

36. SHARE OPTION SCHEME

Pursuant to a resolution passed on 3 December 2011, the Company adopted a share option scheme (the "Option Scheme"), which will expire 10 years after the date on which the shares of the Company ("Shares") commence listing on the Stock Exchange, for the purpose of motivating the eligible participants to optimise their performance efficiency for the benefit of the Group and attracting and retaining or maintaining on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group. Under the Option Scheme, the directors of the Company may grant options to any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

The exercise price is determined by the board of the Company, and will not be less than the highest of (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities, (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

36. SHARE OPTION SCHEME (Continued)

The maximum number of shares in respect of which options may be granted under the Option Scheme must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the public floatation, being 100,000,000 Shares, excluding for this purposed Shares which would have been issuable pursuant to the over-allotment option and options which have lapsed in accordance with the terms of the Option Scheme (or any other share option schemes of the Company).

Besides, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

No share options were granted by the Company nor exercised by any employees during the years ended 2012 and 2011.

37. FINANCIAL SUMMARY OF THE COMPANY

	2012 **RMB'000**	2011 RMB'000
Non-current asset		
Investments in subsidiaries	**45,986**	1
Advance to a subsidiary (note i)	**50,006**	–
	95,992	1
Current assets		
Other receivables	**140**	81
Amount due from a subsidiary	**–**	9,787
Time deposits	**5,126**	98,361
Cash and bank balances	**319**	6,424
	5,585	114,653
Current liability		
Other payables	**1,667**	1,625
Net current assets	**3,918**	113,028
Total assets less current liabilities	**99,910**	113,029
Capital and reserves		
Share capital	**82,899**	81,885
Share premium	**17,092**	52,604
Special reserve	**(81)**	(81)
Accumulated losses	**–**	(21,379)
Total equity attributable to owners of the Company	**99,910**	113,029

37. FINANCIAL SUMMARY OF THE COMPANY (Continued)

	Accumulated losses RMB'000
As at 4 May 2011 (date of incorporation)	–
Loss and total comprehensive expenses for the period	(21,379)
As at 31 December 2011 and 1 January 2012	(21,379)
Loss and total comprehensive expenses for the year	(3,517)
Set off against accumulated losses (note ii)	24,896
As at 31 December 2012	–

Notes:

(i) Fair value adjustment of RMB45,985,000 relating to the interest-free advance to a subsidiary has been made at initial recognition based on an effective interest rate of 6.55% per annum, being the prevailing market borrowing rates for a similar instrument. The investments in subsidiaries include the fair value adjustment made in 2012.

In the opinion of the directors, the Company will not demand repayment within one year from the end of the reporting period and advance to a subsidiary is therefore considered as non-current.

(ii) Pursuant to The Companies Law (Cap.22) of the Cayman Islands and the Company's articles of associations, the Board of Directors of the Company passed a resolution on 19 November 2012 to set off the accumulated losses of the Company with the amount standing to the credit of the share premium account of the Company. As of 31 December 2012, the entire amount of accumulated losses of the Company amounting to approximately RMB24,896,000 was set off against the share premium account.

38. MAJOR NON-CASH TRANSACTION

In December 2011, the Group early settled finance lease of approximately RMB20,800,000 and the related secured deposit for obligation under finance lease amounting to RMB12,500,000 in respect of the finance lease had been net off against the final settlement amount. The remaining deposit of RMB3,022,000 has been used to settle the purchase cost of the relevant assets at the end of the lease term during the year ended 31 December 2012.

39. PRINCIPAL SUBSIDIARIES

The Company had direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment and legal form	Issued and fully paid/ registered capital	Equity interest attributable to the Group As at 31 December 2012	2011	Principal activities
Direct					
Jolly Success	British Virgin Islands Incorporated	HK$1,000	**100%**	100%	Investment holding
Indirect					
Treasure Resources	Hong Kong Incorporated	HK$2,000	**100%**	100%	Investment holding
Jiangxi Jinyuan	PRC	RMB253,000,000	**100%**	100%	Manufacturing and trading Wholly foreign-owned of polyester yarns, enterprise polyester-cotton blended yarns and cotton yarns

Five Years Financial Summary

	Year ended 31 December				
	2008	2009	2010	2011	**2012**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	545,292	663,438	930,666	1,085,889	**918,513**
Cost of sales	(515,119)	(576,205)	(781,294)	(947,142)	**(874,384)**
Gross profit	30,173	87,233	149,372	138,747	**44,129**
Investment and other income	6,018	10,927	7,027	4,481	**23,400**
Fair value change on held-for-trading investment	(3,451)	–	–	–	**–**
Distribution and selling expenses	(10,129)	(12,041)	(12,902)	(12,938)	**(13,388)**
Administrative expenses	(7,076)	(9,020)	(9,932)	(20,061)	**(23,118)**
Other expenses and losses	–	–	–	(20,583)	**(1,110)**
Finance costs	(14,417)	(10,907)	(16,009)	(20,156)	**(13,525)**
Profit before tax	1,118	66,192	117,556	69,490	**16,388**
Income tax expense	–	–	–	(8,852)	**(15,318)**
Profit for the year attributable to owners of the Company	1,118	66,192	117,556	60,638	**1,070**
Earnings per share					
Basic (RMB cents)	0.15	8.83	15.67	8.01	**0.11**
Diluted (RMB cents)	0.15	8.83	15.67	8.01	**0.11**

	As at 31 December				
	2008	2009	2010	2011	**2012**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
ASSETS AND LIABILITIES					
Total assets	631,226	635,700	725,200	727,618	**725,245**
Total liabilities	(472,915)	(454,097)	(511,841)	(319,213)	**(325,372)**
	158,311	181,603	213,359	408,405	**399,873**
Total equity attributable to the owners of the Company	158,311	181,603	213,359	408,405	**399,873**