The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

29 June 2012

The Directors
Silverman Holdings Limited

Mizuho Securities Asia Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Silverman Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2009, 2010 and 2011 (the "Relevant Period"), and the consolidated statements of financial position of the Group as at 31 December 2009, 2010 and 2011, together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 29 June 2012 (the "Prospectus").

The Company was formerly known as Silverman Tech Holdings Limited and was incorporated in the Cayman Islands on 24 February 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 16 April 2010 (the "Reorganisation") as detailed in the section headed "History, Reorganization and Group Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company, Power Fit Ltd. and Swift Power Ltd. as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.

All companies now comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Period and the names of the respective auditors are set out in note 31 of Section C. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards or the relevant accounting rules and regulations applicable to the enterprises in the People's Republic of China (the "PRC").

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended 31 December 2009, 2010 and 2011 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline "Prospectus and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2011.

OPINION

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below, gives a true and fair view of the Group's consolidated results and cash flows for the Relevant Period, and the state of affairs of the Group as at 31 December 2009, 2010 and 2011 and the state of affairs of the Company as at 31 December 2010 and 2011.

A BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 24 February 2010. Pursuant to a group reorganisation completed on 16 April 2010, the Company became the holding company of companies now comprising the Group. The companies that took part in the Reorganisation were controlled by Mr. Liu Dong ("Mr. Liu") prior to and after the Reorganisation. The control is not transitionary and, consequently, there was a continuation of the risks and benefits to Mr. Liu. Therefore, the Reorganisation is considered as a business combination of entities under common control. The Financial Information has been prepared using the principles of merger accounting as if the companies now comprising the Group have been combined at the beginning of the Relevant Period unless the combining companies first came under common control at a later date. The net assets of the combining companies are combined using the existing book values from Mr. Liu's perspective.

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the Relevant Period as set out in Section B of this report include the results of operations of the companies now comprising the Group (or where the companies were incorporated/established at a date later than 1 January 2009, for the period from the date of incorporation/establishment to 31 December 2011). The consolidated statements of financial position of the Group as at 31 December 2009, 2010 and 2011 as set out in Section B of this report have been prepared to present the state of affairs of the Group as at the respective dates as if the Reorganisation was completed at the beginning of the Relevant Period.

All material intra-group balances and transactions have been eliminated on consolidation in preparing the Financial Information.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, or if incorporated/established outside Hong Kong have substantially the same characteristics as a Hong Kong private company, particulars of which are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
Power Fit Ltd.	The British Virgin Islands (the "BVI"), 8 January 2010	USD1	100%	—	Investment holding
Swift Power Ltd.	The BVI, 8 January 2010	USD1	100%	—	Investment holding
YSL (HK) Ltd. 銀仕來(香港)有限公司	Hong Kong, 1 March 2010	HKD1	—	100%	Investment holding
Huiyin (HK) Ltd. 匯銀(香港)有限公司	Hong Kong, 1 March 2010	HKD1	—	100%	Investment holding
Zibo Yinshilai Textile Co., Ltd. 淄博銀仕來紡織有限公司 *(Note)*	The PRC, 1 December 1999	USD12,400,000	—	100%	Manufacturing and sales of textile products
Zibo Huiyin Textile Co., Ltd. 淄博匯銀紡織有限公司 *(Note)*	The PRC, 9 June 2006	USD10,400,000	—	100%	Manufacturing and sales of textile products

Note: The English translation of the names is for reference only. The official names of these entities are in Chinese.

B FINANCIAL INFORMATION

1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Section C Note	Year ended 31 December 2009	2010	2011
		RMB'000	*RMB'000*	*RMB'000*
Turnover	2	529,708	773,767	927,774
Cost of sales		(456,669)	(595,949)	(697,670)
Gross profit		73,039	177,818	230,104
Other revenue	3	2,524	2,524	–
Other net (losses)/gains	3	(2,648)	(147)	5,338
Distribution costs		(10,124)	(10,957)	(11,795)
Administrative expenses		(12,750)	(16,070)	(30,665)
Profit from operations		50,041	153,168	192,982
Finance income	4(a)	9,958	5,097	20,007
Finance costs	4(a)	(17,649)	(26,509)	(25,103)
Profit before taxation	4	42,350	131,756	187,886
Income tax	5	(1,555)	(26,197)	(25,760)
Profit and total comprehensive income for the year		40,795	105,559	162,126
Attributable to:				
Equity shareholders of the Company		30,406	100,291	162,126
Non-controlling interests		10,389	5,268	–
Profit and total comprehensive income for the year		40,795	105,559	162,126

The accompanying notes form part of the Financial Information.

2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section C Note	As at 31 December 2009	2010	2011
		RMB'000	RMB'000	RMB'000
Non-current assets				
Fixed assets	11			
— Property, plant and equipment		333,829	405,018	402,023
— Interests in leasehold land under operating leases		9,383	9,185	8,987
		343,212	414,203	411,010
Intangible assets	12	60	119	130
Goodwill	13	6,394	6,394	6,394
Investments in equity securities	14	1,000	1,000	1,000
		350,666	421,716	418,534
Current assets				
Inventories	15	101,272	170,504	100,789
Trade and other receivables	16	98,627	117,469	121,838
Pledged bank deposits	17	245,899	256,568	188,380
Cash and cash equivalents	18	55,343	68,265	130,228
		501,141	612,806	541,235
Current liabilities				
Trade and other payables	19	153,126	492,347	270,068
Bank loans	20	302,741	345,889	373,189
Obligations under finance leases	21	—	28,782	31,394
Current taxation	22	1,183	5,691	8,261
		457,050	872,709	682,912
Net current assets/(liabilities)		44,091	(259,903)	(141,677)
Total assets less current liabilities		394,757	161,813	276,857

The accompanying notes from part of the Financial Information.

2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Section C Note	As at 31 December 2009	2010	2011
		RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities				
Bank loans	20	20,000	10,000	–
Obligations under finance leases	21	—	45,880	14,730
Deferred tax liabilities	22	—	10,024	4,024
		20,000	65,904	18,754
Net assets		374,757	95,909	258,103
Capital and reserves				
Capital	23	138,046	—	68
Reserves	23	140,710	95,909	258,035
Total equity attributable to equity shareholders of the Company		278,756	95,909	258,103
Non-controlling interests		96,001	—	–
Total equity		374,757	95,909	258,103

The accompanying notes form part of the Financial Information.

3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company							
	Capital	Capital reserve	Statutory surplus reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 23(a))	*(Note 23(b))*	*(Note 23(b))*	*(Note 23(b))*				
Balance at 1 January 2009	**138,046**	**(909)**	**15,037**	**8,457**	**87,719**	**248,350**	**85,612**	**333,962**
Profit for the year	—	—	—	—	30,406	30,406	10,389	40,795
Total comprehensive income	—	—	—	—	30,406	30,406	10,389	40,795
Appropriation to statutory reserve	—	—	2,920	—	(2,920)	—	—	—
Balance at 31 December 2009 and at 1 January 2010	**138,046**	**(909)**	**17,957**	**8,457**	**115,205**	**278,756**	**96,001**	**374,757**
Profit for the year	—	—	—	—	100,291	100,291	5,268	105,559
Total comprehensive income	—	—	—	—	100,291	100,291	5,268	105,559
Dividends declared in respect of the previous years	—	—	—	—	(109,258)	(109,258)	(38,839)	(148,097)
Deemed distributions arising from the Reorganisation	(138,046)	—	—	(37,034)	—	(175,080)	—	(175,080)
Acquisition of non-controlling interests	—	—	—	1,200	—	1,200	(62,430)	(61,230)
Appropriation to statutory reserve	—	—	10,611	—	(10,611)	—	—	—
Balance at 31 December 2010 and at 1 January 2011	**—**	**(909)**	**28,568**	**(27,377)**	**95,627**	**95,909**	**—**	**95,909**
Profit for the year	—	—	—	—	162,126	162,126	—	162,126
Total comprehensive income	—	—	—	—	162,126	162,126	—	162,126
Issue of shares	68	—	—	—	—	68	—	68
Appropriation to statutory reserve	—	—	15,253	—	(15,253)	—	—	—
Balance at 31 December 2011	**68**	**(909)**	**43,821**	**(27,377)**	**242,500**	**258,103**	**—**	**258,103**

The accompanying notes form part of the Financial Information.

4 CONSOLIDATED CASH FLOW STATEMENTS

	Section C Note	Year ended 31 December 2009 *RMB'000*	2010 *RMB'000*	2011 *RMB'000*
Operating activities				
Profit before taxation		42,350	131,756	187,886
Adjustments for:				
Depreciation	4(c)	44,659	45,099	55,836
Amortisation	4(c)	199	212	257
Interest income	4(a)	(6,633)	(5,097)	(7,873)
Finance costs	4(a)	16,696	14,011	24,333
Net loss/(gain) on sale of property, plant and equipment	3	24	—	(300)
		97,295	185,981	260,139
Changes in working capital				
(Increase)/decrease in inventories		(10,642)	(69,232)	69,715
Decrease/(increase) in trade and other receivables		23,452	(53,262)	23,609
Increase/(decrease) in trade and other payables		32,272	74,400	(128,618)
(Increase)/decrease in guarantee deposits for issuance of commercial bills and bank acceptance		(96,689)	51,590	77,934
Cash generated from operations		45,688	189,477	302,779
Income tax paid	22	(1,321)	(11,665)	(29,190)
Net cash generated from operating activities		44,367	177,812	273,589

The accompanying notes form part of the Financial Information.

4 CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

	Section C Note	Year ended 31 December 2009	2010	2011
		RMB'000	*RMB'000*	*RMB'000*
Investing activities				
Capital expenditures		(50,753)	(82,769)	(81,079)
Proceeds from sale of property, plant and equipment		593	—	789
Payment for interest rate swaps		(1,088)	—	—
Increase in guarantee deposits for bank loans		(62,672)	(62,259)	(9,746)
Interest received		6,633	5,097	7,873
Net cash used in investing activities		(107,287)	(139,931)	(82,163)
Financing activities				
Proceeds from share issuance		—	—	68
Proceeds from bank and other loans		441,112	455,866	373,189
Repayment of bank and other loans		(329,038)	(348,056)	(384,427)
Advances from holding company		—	165,462	61,792
Repayment to holding company		—	—	(50,621)
Borrowing costs paid		(16,696)	(17,587)	(25,701)
Deemed distribution to the then equity holders upon the Reorganisation		—	(108,341)	(66,739)
Payments for acquisition of non-controlling interests		—	(61,230)	—
Dividends paid to equity holders		—	(111,073)	(37,024)
Net cash generated from/(used in) financing activities		95,378	(24,959)	(129,463)
Net increase in cash and cash equivalents		32,458	12,922	61,963
Cash and cash equivalents at 1 January		22,885	55,343	68,265
Cash and cash equivalents at 31 December		55,343	68,265	130,228

The accompanying notes form part of the Financial Information.

C NOTES TO THE FINANCIAL INFORMATION

1 Significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with IFRSs, which collective term includes International Accounting Standards and related interpretations issued by the IASB. Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the extent that they are applicable to the Group to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2011. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2011 are set out in note 32.

This Financial Information also complies with the disclosure requirement of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of preparation and presentation

The Financial Information comprises the Company and its subsidiaries, and has been prepared using the merger basis of accounting as if the Group had always been in existence as further explained in Section A.

(c) Basis of measurement and use of estimates and judgment

The functional currency of the Company is United States Dollar ("USD"). The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Group's major operating entities. The Financial Information has been prepared on the historical cost basis, except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— derivative financial instruments; and

— financial guarantees issued.

The preparation of the Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 29.

(d) Subsidiaries and non-controlling interests, associates and jointly controlled entities

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account.

The financial information of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases. Merger accounting is adopted for common control combinations in which all of the combining entities are ultimately controlled by the same controlling party both before and after the business combination and that control is not transitory.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Change in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within the consolidated equity to reflect the change in relative interests, but no gain or loss is recognised.

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating decisions. A jointly controlled entity is an entity which operates under a contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity. An investment in an associate or a jointly controlled entity is accounted for in the Financial Information under the equity method.

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(t).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(k)).

Investments in securities which do not fall into any of the above categories are classifies as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(t) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 1(s). When these investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(h) Property, plant and equipment

Property, plant and equipment, except for construction in progress, are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 1(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(v)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

— machinery and equipment 5–10 years

— office equipment 3–5 years

— motor vehicles 3–5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Construction in progress represents property, plant and equipment under construction and machinery and equipment under installation and testing. Construction in progress is stated in the statement of financial position at cost less impairment losses (see note 1(k)). The cost includes cost of construction, cost of purchased plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent that these are regarded as an adjustment to borrowing costs (see note 1(v)).

Construction in progress is not depreciated until such time as the assets are completed and substantially ready for their intended use.

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(v)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(k)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— trademarks and patent	5–10 years
— computer software	5 years

Both the period and method of amortisation are reviewed annually.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement convey a right to use a specific asset or assets of an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting periods. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(k) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events.

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each reporting date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— interests in leasehold land under operating leases;

— construction in progress;

— intangible assets; and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1 (s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax assets can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future or, in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

(i) in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

(ii) in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either

- the same taxable entity; or
- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Service income

Service income is recognised when the relevant services are rendered.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside the PRC are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amount of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purpose unless the segments have similar characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customer, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

No segment information is presented as the Group is principally engaged in one operating segment which is the manufacturing and sale of textile products.

2 Turnover

The principal activities of the Group are the manufacturing and sales of textile products.

Turnover represents the sales value of goods supplied to customers and service income (net of sales tax, value-added tax and discounts). The amount of each significant category of revenue recognised in turnover during the Relevant Period is as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Sales of textile products:			
— Dobby grey fabrics	420,491	574,649	641,160
— Jacquard grey fabrics	97,415	132,925	233,868
— Others	450	35,144	25,010
	518,356	742,718	900,038
Processing services income	11,352	31,049	27,736
	529,708	773,767	927,774

The following is an analysis of the Group's revenue by geographical markets:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
The PRC	453,699	601,681	818,904
Overseas	76,009	172,086	108,870
	529,708	773,767	927,774

The Group's customer base is diversified and includes two customers with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2011. During the year ended 31 December 2011, revenue from sales of textile products to each of such customers amounted to approximately RMB113,896,000 and RMB94,543,000 respectively. No individual customer had transactions exceeded 10% of the Group's revenue for the years ended 31 December 2009 and 2010. Details of concentrations of credit risk are set out in note 24(a).

3 Other revenue and net (losses)/gains

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Other revenue			
Rentals receivable from operating leases	2,524	2,524	—

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Other net (losses)/gains			
Net gain on sale of scrap materials	—	—	1,587
Net (loss)/gain on sale of property, plant and equipment	(24)	—	300
Net loss on interest rate swaps	(2,403)	—	—
Net loss on forward exchange contracts	(148)	(131)	(520)
Financial guarantee issued	430	(631)	1,329
Others	(503)	615	2,642
	(2,648)	(147)	5,338

4 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Finance income and finance costs

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Finance income			
Interest income on bank deposits	(6,633)	(5,097)	(7,873)
Foreign exchange gain arising on settlement or translation of foreign currency monetary items	(3,325)	—	(12,134)
	(9,958)	(5,097)	(20,007)

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Finance costs			
Interest on bank advances and other borrowings wholly repayable within five years	16,696	14,918	23,293
Less: interest capitalised into property, plant and equipment*	—	(3,576)	(1,368)
Interest expenses	16,696	11,342	21,925
Finance charges on obligations under finance leases	—	2,669	2,408
Foreign exchange loss arising on settlement or translation of foreign currency monetary items	—	10,598	—
Other finance charges	953	1,900	770
	17,649	26,509	25,103

* *The interests have been capitalised at rates of 5.4–5.8% and 5.8–5.9% per annum during the year ended 31 December 2010 and 2011 respectively.*

(b) Staff costs

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	32,304	36,013	61,043
Contributions to defined contribution retirement plan	373	1,030	2,325
	32,677	37,043	63,368

Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "Schemes") organised by the relevant local authorities whereby the Group is required to make contributions to the Schemes at certain percentages of the eligible employees' salaries for the years ended 31 December 2009, 2010 and 2011. The relevant local government authorities are responsible for the entire pension obligations payable to retired employees. The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the annual contributions described above.

(c) Other items

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Depreciation	44,659	45,099	55,836
Amortisation			
— leasehold land	197	198	198
— intangible assets	2	14	59
Auditors' remuneration	25	4	47
Cost of inventories	446,554	569,660	674,500

5 Income tax

(a) Taxation in the consolidated statements of comprehensive income represents:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Current tax — PRC Enterprise Income Tax			
Provision for the year	1,884	16,173	31,760
Deferred tax			
Origination and reversal of temporary differences	(329)	10,024	(6,000)
	1,555	26,197	25,760

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in those jurisdictions.

(ii) The Group's Hong Kong subsidiaries, being investment holding companies, do not derive income subject to Hong Kong Profits Tax. For the Relevant Period, Hong Kong Profits Tax rate is 16.5%. The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.

(iii) Prior to 1 January 2008, the Group's PRC entities, being production-type foreign investment enterprises, were each entitled to a tax holiday of 2-year full exemption followed by 3-year 50% reduction in the income tax rate commencing from their respective first profit-making years from a PRC tax perspective ("2 + 3 tax holiday").

On 16 March 2007, the Fifth Plenary of the Tenth National People's Congress passed the New Enterprise Income Tax Law of the PRC (the "New Tax Law"), which stipulates the statutory income tax rate at 25% and was effective on 1 January 2008. The New Tax Law and its relevant regulations grandfather the 2 + 3 tax holidays and require such tax holiday to begin on 1 January 2008 should it be not started earlier. Zibo Yinshilai Textile Co., Ltd. started its 2 + 3 tax holiday in 2006. Accordingly, it is subject to income tax at 12.5% from 2009 to 2010. During the year ended 31 December 2011, Zibo Yinshilai Textile Co., Ltd. was granted the status of a "High and New Technology Enterprise" and, accordingly, entitles to preferential

PRC Enterprise Income Tax rate of 15% from 2011 onwards. Zibo Huiyin Textile Co., Ltd. started its 2 + 3 tax holiday in 2008. As such, it is exempted from PRC income tax for 2008 and 2009, and is subject to income tax at 12.5% from 2010 to 2012 and at 25% thereafter.

(iv) According to the New Tax Law and its implementation rules, dividends receivable by non-PRC resident corporate investors from PRC-residents are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profit earned since 1 January 2008. YSL (HK) Ltd. and Huiyin (HK) Ltd. were established during 2010 and would be subject to PRC dividend withholding tax on dividends receivables from their PRC subsidiaries. Profit for 2009 was distributed to the then shareholders during 2010 which had no income tax implication to the Group.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	42,350	131,756	187,886
Notional tax on profit before taxation, calculated at the rates applicable to the profits in the jurisdictions concerned	10,588	32,582	46,156
Effect of tax holiday and preferential tax benefits	(9,182)	(16,022)	(19,820)
Effect of non-deductible expenses	149	307	1,007
Effect of entities not subject to income tax	—	(694)	(1,583)
PRC dividend withholding tax	—	10,024	—
Income tax expense	1,555	26,197	25,760

6 Directors' remuneration

Details of the directors' remuneration are as follows:

	Year ended 31 December 2009				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Liu Dong	—	194	—	3	197
Liu Zongjun	—	—	—	—	—
Tian Chengjie	—	75	—	11	86
	—	269	—	14	283

	Year ended 31 December 2010				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Liu Dong	—	194	294	4	492
Liu Zongjun	—	86	75	6	167
Tian Chengjie	—	75	110	9	194
	—	355	479	19	853

	Year ended 31 December 2011				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director					
Liu Dong	—	335	180	4	519
Liu Zongjun	—	168	30	8	206
Tian Chengjie	—	135	60	9	204
	—	638	270	21	929

(i) During the Relevant Period, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 7 below as an inducement to join or upon joining the Group or as compensation for loss of office.

(ii) No directors of the Company waived or agreed to waive any remuneration during the Relevant Period.

(iii) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the Relevant Period.

7 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two, two and three were directors whose remuneration is disclosed in note 6 for each of the years ended 31 December 2009, 2010 and 2011.

The aggregates of the emoluments in respect of the remaining individuals for the years ended 31 December 2009, 2010 and 2011 are as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	257	257	346
Discretionary bonuses	—	386	140
Retirement scheme contributions	9	11	8
	266	654	494

The emoluments of the three, three and two individuals with the highest emoluments for the years ended 31 December 2009, 2010 and 2011 are within the following band:

	Year ended 31 December		
	2009	**2010**	**2011**
	number of individuals	*number of individuals*	*number of individuals*
HKD Nil to HKD1,000,000	3	3	2

8 Earnings per share

Earnings per share information is not presented as its inclusion for the purpose of this report is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Period on a consolidated basis as disclosed in Section A.

9 Dividends

No dividend has been paid or declared by the Company since its incorporation.

Dividends for the Relevant Period represent dividends declared by Zibo Yinshilai Textile Co., Ltd. and Zibo Huiyin Textile Co., Ltd. to their then shareholders before they became subsidiaries of the Company.

(a) Dividends attributable to the year:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Dividends proposed after the end of the reporting period	148,097	—	—

The final dividends proposed after the end of the reporting period have not been recognised as liabilities in the statement of financial position.

(b) Dividends attributable to the previous financial year, paid during the year:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Dividends in respect of the previous financial year, approved and paid during the year	—	111,073	37,024

The rate of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of the Financial Information.

The directors consider that the dividend payments made during the Relevant Period are not indicative of the future dividend policy of the Group.

10 Segment reporting

No segment information is presented during the Relevant Period as the Group is principally engaged in one operating segment which is the manufacturing and sale of textile products. The Group operates in the PRC and its major assets are located in the PRC.

Additional information about customer base and revenue by geographical markets of the Group has been disclosed in note 2.

11 Fixed assets

	Buildings	Machinery and equipment	Office equipment	Motor vehicles	Construction in progress	Sub-total	Interests in leasehold land under operating leases	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:								
At 1 January 2009	54,419	433,736	7,706	5,278	2,584	503,723	9,892	513,615
Additions	—	5,506	145	512	—	6,163	—	6,163
Transfer from construction in progress	2,069	355	—	—	(2,424)	—	—	—
Disposals	—	—	(2)	(1,547)	—	(1,549)	—	(1,549)
At 31 December 2009	56,488	439,597	7,849	4,243	160	508,337	9,892	518,229
At 1 January 2010	56,488	439,597	7,849	4,243	160	508,337	9,892	518,229
Additions	137	28,101	390	3,382	84,278	116,288	—	116,288
Transfer from construction in progress	1,884	27	—	—	(1,911)	—	—	—
At 31 December 2010	58,509	467,725	8,239	7,625	82,527	624,625	9,892	634,517
At 1 January 2011	58,509	467,725	8,239	7,625	82,527	624,625	9,892	634,517
Additions	656	7,205	421	1,260	43,788	53,330	—	53,330
Transfer from construction in progress	10,499	112,198	—	—	(122,697)	—	—	—
Disposals	—	(643)	—	—	—	(643)	—	(643)
At 31 December 2011	69,664	586,485	8,660	8,885	3,618	677,312	9,892	687,204
Accumulated depreciation and amortisation:								
At 1 January 2009	(5,184)	(119,615)	(4,275)	(1,707)	—	(130,781)	(312)	(131,093)
Charge for the year	(2,670)	(39,733)	(1,364)	(892)	—	(44,659)	(197)	(44,856)
Written back on disposals	—	—	1	931	—	932	—	932
At 31 December 2009	(7,854)	(159,348)	(5,638)	(1,668)	—	(174,508)	(509)	(175,017)
At 1 January 2010	(7,854)	(159,348)	(5,638)	(1,668)	—	(174,508)	(509)	(175,017)
Charge for the year	(2,378)	(40,517)	(1,250)	(954)	—	(45,099)	(198)	(45,297)
At 31 December 2010	(10,232)	(199,865)	(6,888)	(2,622)	—	(219,607)	(707)	(220,314)
At 1 January 2011	(10,232)	(199,865)	(6,888)	(2,622)	—	(219,607)	(707)	(220,314)
Charge for the year	(2,774)	(50,185)	(1,238)	(1,639)	—	(55,836)	(198)	(56,034)
Written back on disposals	—	154	—	—	—	154	—	154
At 31 December 2011	(13,006)	(249,896)	(8,126)	(4,261)	—	(275,289)	(905)	(276,194)
Net book value:								
At 31 December 2011	56,658	336,589	534	4,624	3,618	402,023	8,987	411,010
At 31 December 2010	48,277	267,860	1,351	5,003	82,527	405,018	9,185	414,203
At 31 December 2009	48,634	280,249	2,211	2,575	160	333,829	9,383	343,212

(a) The analysis of net book value of properties is as follow:

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Properties held in the PRC			
— medium-term leases	58,177	65,520	69,263
Representing:			
— Buildings	48,634	48,277	56,658
— Construction in progress	160	8,058	3,618
— Interest in leasehold land held for own use under operating leases	9,383	9,185	8,987

(b) Fixed assets with aggregate net book value of RMB184,488,000, RMB62,796,000 and RMB79,833,000 are pledged to secure certain bank loans of the Group totalling RMB155,900,000, RMB89,908,000 and RMB89,844,000 as at 31 December 2009, 2010 and 2011 respectively.

(c) As at 31 December 2009, 2010 and 2011, the ownership certificates for buildings with net book value of RMB48,634,000, RMB48,277,000 and RMB2,403,000 respectively have not been obtained.

(d) During the year ended 31 December 2010, the Group entered into a sale and lease back agreement under finance leases which expires in 2013 on its machinery and equipment with net book value of RMB118,467,000. At the end of the lease term, the Group has the option to purchase the leased machinery and equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rental. As at 31 December 2010 and 2011, the net book value of machinery and equipment held under the finance leases of the Group was RMB105,462,000 and RMB83,166,000 respectively.

(e) *Fixed assets leased out under operating leases*

The Group leased out a portion of leasehold land and buildings and a number of items of machinery under operating leases, which were terminated on 31 December 2010, during the years ended 31 December 2009 and 2010. The leases typically run for an initial period of 1 year, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

12 Intangible assets

	Trademarks and patent	Computer software	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2009	—	8	8
Additions	—	56	56
At 31 December 2009	—	64	64
At 1 January 2010	—	64	64
Additions	50	23	73
At 31 December 2010	50	87	137
At 1 January 2011	50	87	137
Additions	—	70	70
At 31 December 2011	50	157	207
Accumulated amortisation:			
At 1 January 2009	—	(2)	(2)
Charge for the year	—	(2)	(2)
At 31 December 2009	—	(4)	(4)
At 1 January 2010	—	(4)	(4)
Charge for the year	(6)	(8)	(14)
At 31 December 2010	(6)	(12)	(18)
At 1 January 2011	(6)	(12)	(18)
Charge for the year	(17)	(42)	(59)
At 31 December 2011	(23)	(54)	(77)
Net book value:			
At 31 December 2011	27	103	130
At 31 December 2010	44	75	119
At 31 December 2009	—	60	60

Note: The amortisation charges of intangible assets during the Relevant Period are included in the administrative expenses in the consolidated income statements.

13 Goodwill

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January and 31 December	6,394	6,394	6,394

The Group's cash-generating units ("CGU") to which the goodwill is allocated is Zibo Yinshilai Textile Co., Ltd.

The Group has performed annual impairment tests for goodwill by comparing the recoverable amounts of the CGU containing goodwill to the carrying amount as at 31 December 2009, 2010 and 2011. The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The following discount rates, which are pre-tax and reflect specific risks relating to the CGU, are used in discounting the projected cash flows.

	As at 31 December		
	2009	**2010**	**2011**
Discount rate	11%	10%	11%

The recoverable amounts of the CGU exceeded its carrying amount and the directors considered that there was no impairment of goodwill as at 31 December 2009, 2010 and 2011.

14 Investments in equity securities

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted, at cost	1,000	1,000	1,000

The investments in unlisted equity securities do not have a quoted market price in an active market. Quoted prices in active market for similar investments or observable market data as significant inputs for valuation techniques are also not available. Therefore, the unlisted equity securities are stated at cost less impairment loss, if any, in the Financial Information.

15 Inventories

Inventories in the statements of financial position comprise:

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	31,629	74,089	27,040
Work in progress	26,242	29,300	37,215
Finished goods	42,706	65,938	35,078
Consumables	695	1,177	1,456
	101,272	170,504	100,789

16 Trade and other receivables

		As at 31 December		
		2009	2010	2011
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Trade debtors and bills receivable	(a) (b) (c)	40,573	68,410	58,860
Deposits, prepayments and other receivables	(d)	32,223	47,124	62,978
Amounts due from related parties	(e)	25,831	1,935	—
		98,627	117,469	121,838

All of the trade and other receivables are expected to be recovered or recognised as expense within one year as at 31 December 2009, 2010 and 2011.

(a) Ageing analysis

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as at the end of the reporting period.

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Current	36,900	67,302	56,621
Less than 3 months past due	379	967	1,904
3 to 6 months past due	3,294	141	335
Amounts past due	3,673	1,108	2,239
	40,573	68,410	58,860

Trade debtors and bills receivable are due within 1 to 6 months from the date of billing. Further details on the Group's credit policy are set out in Note 24(a).

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (see note 1(k)(i)).

As at 31 December 2009, 2010 and 2011, the Group does not have trade debtors and bills receivable which were individually determined to be impaired.

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Neither past due nor impaired	36,900	67,302	56,621
Less than 3 months past due	379	967	1,904
3 to 6 months past due	3,294	141	335
	40,573	68,410	58,860

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(d) Deposits, prepayments and other receivables

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments relating to purchases of raw materials	7,717	16,582	42,786
Prepayments relating to purchases of fixed assets	6,782	463	340
Deferred expenses	790	529	845
Value-added tax deductible	4,223	18,544	—
Other receivables	12,711	11,006	19,007
	32,223	47,124	62,978

(e) Amounts due from related parties

The amounts due from related parties are unsecured, interest-free and repayable on demand.

17 Pledged bank deposits

Pledged deposits can be analysed as follows:

		As at 31 December		
		2009	**2010**	**2011**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Guarantee deposits for issuance of commercial bills and bank acceptance		143,607	92,017	14,083
Guarantee deposits for bank loans	(a)	102,292	164,551	174,297
		245,899	256,568	188,380

(a) The bank deposits, which are denominated in RMB, are pledged to secure certain foreign currency bank loans of the Group totalling RMB101,931,000, RMB161,981,000 and RMB154,545,000 as at 31 December 2009, 2010 and 2011 respectively.

18 Cash and cash equivalents

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Bank deposits	54,816	67,781	130,169
Cash in hand	527	484	59
Cash and cash equivalents	55,343	68,265	130,228

As at 31 December 2009, 2010 and 2011, cash and cash equivalents of RMB26,453,000, RMB54,894,000 and RMB128,750,000 are denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

19 Trade and other payables

		As at 31 December		
		2009	**2010**	**2011**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Trade creditors and bills payable	(a)	76,042	87,901	50,864
Receipts in advance		12,185	21,583	11,436
Other creditors and accrued charges	(b)	31,690	17,194	30,337
Dividends payable		—	37,024	—
Amounts due to related parties	(c)	32,363	327,037	176,633
Financial liabilities measured at amortised cost		152,280	490,739	269,270
Derivative financial instruments:				
— foreign exchange contracts		148	279	798
Financial guarantees issued		698	1,329	—
		153,126	492,347	270,068

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

(a) Ageing analysis

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Due within 3 months or on demand	3,741	41,445	43,356
Due after 3 months but within 6 months	71,583	44,808	7,027
Due after 6 months but within 12 months	718	1,648	481
	76,042	87,901	50,864

(b) Other creditors and accrued charges

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Accrued charges	7,413	6,494	16,130
Payables relating to purchases of fixed assets	8,004	3,600	2,531
Other payables	16,273	7,100	11,676
	31,690	17,194	30,337

(c) Amounts due to related parties

Included in the amounts due to related parties are advances from Excel Orient Ltd. amounted to RMB165,462,000 and RMB176,633,000 as at 31 December 2010 and 2011 respectively. The advances are unsecured, interest-free and repayable on or before 23 November 2015. The Group repaid RMB30 million to Excel Orient Ltd. subsequent to 31 December 2011 and Excel Orient Ltd. waived the remaining balance on 14 March 2012.

The other amounts due to related parties are unsecured, interest-free and repayable on demand.

20 Bank loans

As at 31 December 2009, 2010 and 2011, the bank loans were repayable as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	302,741	345,889	373,189
After 1 year but within 2 years	20,000	10,000	—
	322,741	355,889	373,189

As at 31 December 2009, 2010 and 2011, the bank loans were secured/guaranteed as follows:

		As at 31 December		
		2009	**2010**	**2011**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
— secured and guaranteed	(a)	125,900	89,908	—
— secured	(a)	131,931	161,981	244,389
— unsecured but guaranteed		64,910	74,000	—
— unsecured		—	30,000	128,800
		322,741	355,889	373,189

(a) As at 31 December 2009, 2010 and 2011, the bank loans were secured by certain assets of the Group as set out below.

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Machinery and equipment	184,488	62,796	79,833
Pledged bank deposits	102,292	164,551	174,297
	286,780	227,347	254,130

(b) Details of the Group's interest rate risk are set out in note 24(c).

21 Obligations under finance leases

As at 31 December 2010 and 2011, the Group had obligations under finance leases repayable as follows:

	As at 31 December 2010		As at 31 December 2011	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	28,782	32,196	31,394	32,394
After 1 year but within 2 years	30,132	32,196	14,730	16,197
After 2 years but within 5 years	15,748	16,098	—	—
	45,880	48,294	14,730	16,197
	74,662	80,490	46,124	48,591
Less: total future interest expenses		(5,828)		(2,467)
Present value of lease obligations		74,662		46,124

22 Income tax in the consolidated statements of financial position

(a) Current taxation in the consolidated statements of financial position represents:

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	620	1,183	5,691
Provision for PRC Enterprise Income Tax for the year	1,884	16,173	31,760
Tax paid	(1,321)	(11,665)	(29,190)
At 31 December	1,183	5,691	8,261

(b) Deferred tax liabilities recognised:

(i) The components of deferred tax liabilities recognised in the consolidated statements of financial position and the movements during the Relevant Period are as follows:

Deferred tax arising from:	PRC dividend withholding tax	Derivative financial instruments	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2009	—	329	329
Credited to profit or loss	—	(329)	(329)
At 31 December 2009	—	—	—
At 1 January 2010	—	—	—
Charged to profit or loss	10,024	—	10,024
At 31 December 2010	10,024	—	10,024
At 1 January 2011	10,024	—	10,024
Credited to profit or loss	(6,000)	—	(6,000)
At 31 December 2011	4,024	—	4,024

(ii) Deferred tax liabilities not recognised

As at 31 December 2011, temporary difference relating to profit earned by the Company's PRC subsidiaries amounted to RMB137,278,000 for which no deferred tax liability was recognised in respect of the PRC dividend withholding tax at 10% that would be payable on the distribution of these profits as the Company has no plan to distribute them in the foreseeable future.

Pursuant to the New Tax Law and its implementation rules, distribution of statutory surplus reserve upon liquidation shall be treated as dividend income which is subject to PRC dividend withholding tax at 10% or less if reduced tax treaties or arrangements. As at 31 December 2009, 2010 and 2011, temporary differences relating to the statutory surplus reserve of the Company's PRC subsidiaries amounted to RMB3,908,000, RMB14,519,000 and RMB29,772,000, respectively. No deferred tax liabilities were recognised as at 31 December 2009, 2010 and 2011 as the Company has no plan to liquidate these subsidiaries in the foreseeable future.

23 Capital and reserves

(a) Capital

(i) For the purpose of this Financial Information, the capital in the consolidated statements of financial position as at 31 December 2009 represents an aggregate amount of the Group's share of paid-in capital of the companies comprising the Group.

The Company was incorporated on 24 February 2010 with an authorised share capital of USD50,000 divided into 50,000 shares of USD1.00 each. On the same date, one share of USD1.00 was allotted and issued as fully paid at par.

The Company allotted and issued 9,999 shares of USD1.00 each to Excel Orient Ltd. on 18 June 2011.

Upon the completion of the Reorganisation on 16 April 2010, the Company became the holding company of the Group. The capital in the consolidated statements of financial position as at 31 December 2010 and 2011 represents the share capital of the Company.

(ii) During the year ended 31 December 2010, YSL (HK) Ltd. acquired 75% equity interest in Zibo Yinshilai Textile Co., Ltd. from Zibo Boshan Yinshan Chemical Fiber Co., Ltd., which is controlled by Mr. Liu, for a cash consideration of RMB110,000,000. 98% of the consideration amounting to RMB107,800,000, which is attributable to Mr. Liu's beneficial interests in Zibo Boshan Yinshan Chemical Fiber Co., Ltd., was deemed as a distribution to Mr. Liu. The remaining 2% of the consideration amounting to RMB2,200,000 represents the consideration paid for the acquisition of part of the non-controlling interests of Zibo Yinshilai Textile Co., Ltd.

During the year ended 31 December 2010, Huiyin (HK) Ltd. acquired 75% equity interest in Zibo Huiyin Textile Co., Ltd. from Zibo Tianrui Investment Co., Ltd., which is controlled by Mr. Liu, for a cash consideration of RMB67,280,000. The consideration was deemed as a distribution to Mr. Liu.

(iii) During the year ended 31 December 2010, YSL (HK) Ltd. acquired 25% equity interest in Zibo Yinshilai Textile Co., Ltd. from Top Grade Holdings Ltd. for a cash consideration of RMB36,600,000. Upon completion of the transfer, the Group's equity interest in Zibo Yinshilai Textile Co., Ltd. increased from 75% to 100%.

During the year ended 31 December 2010, Huiyin (HK) Ltd. acquired 25% equity interest in Zibo Huiyin Textile Co., Ltd. from Angel Dyeing & Finishing Co., Ltd. for a cash consideration of RMB22,430,000. Upon completion of the transfer, the Group's equity interest in Zibo Huiyin Textile Co., Ltd. increased from 75% to 100%.

(b) Nature and purpose of reserves

(i) Capital reserve

The capital reserve represents exchange difference arising on capital injections.

(ii) Statutory surplus reserve

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to statutory surplus reserve were made at a certain percentage of after-tax profit (after offsetting prior year losses) determined in accordance with the accounting rules and regulations of the PRC until such reserve reaches 50% of the registered capital of each relevant PRC subsidiary. The statutory surplus reserve can be utilised to offset accumulated losses or to increase capital of the subsidiaries and is non-distributable other than in liquidation.

(iii) Other reserve

The other reserve represents:

— the difference between the net assets value of subsidiaries acquired and the consideration paid;

— the difference between the nominal value of Zibo Yinshilai Textile Co., Ltd.'s paid-in capital acquired from Zibo Boshan Yinshan Chemical Fiber Co., Ltd. and the consideration paid;

— the difference between the nominal value of Zibo Huiyin Textile Co., Ltd.'s paid-in capital acquired from Zibo Tianrui Investment Co., Ltd. and the considerations paid; and

— the difference between the net asset value of non-controlling interests acquired and the consideration paid.

(c) Distributability of reserves

The Company was incorporated on 24 February 2010 and has not carried on any business since the date of its incorporation. Accordingly, there was no reserve available for distribution to equity shareholders of the Company, as calculated under the Companies Law of the Cayman Islands and the Company's Articles of Association, as at 31 December 2009, 2010 and 2011.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 180 days from the date of billing. Debtors with balances that are past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate. The Group has no concentrations of credit risk in view of its large number customers. The Group did not record significant bad debts losses during the Relevant Period.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the statement of financial position after deducting any impairment allowance. Except for the financial guarantees given by the Group as set out in note 26, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 26.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

(b) Liquidity risk

The Group has to maintain a suitable level of liquidity to finance the daily operation, capital expenditure and repayment of borrowings. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants.

To ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the maturities profile of the Group's financial liabilities at the end of each reporting period:

	As at 31 December 2009				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years within 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	316,775	21,080	—	337,855	322,741
Trade creditors, bills payable, other creditors and accrued charges	107,732	—	—	107,732	107,732
Amounts due to related parties	32,363	—	—	32,363	32,363
	456,870	21,080	—	477,950	462,836
Financial guarantees issued:					
Maximum amount guaranteed	88,000	10,000	10,000	108,000	698

	As at 31 December 2010				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years within 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	353,473	10,539	—	364,012	355,889
Trade creditors, bills payable, other creditors and accrued charges	105,095	—	—	105,095	105,095
Dividend payable	37,024	—	—	37,024	37,024
Obligations under finance lease	32,196	32,196	16,098	80,490	74,662
Amounts due to related companies	327,037	—	—	327,037	327,037
	854,825	42,735	16,098	913,658	899,707
Financial guarantees issued:					
Maximum amount guaranteed	88,000	10,000	—	98,000	1,329

	As at 31 December 2011				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years within 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	381,808	—	—	381,808	373,189
Trade creditors, bills payable, other creditors and accrued charges	81,201	—	—	81,201	81,201
Obligations under finance lease	32,394	16,197	—	48,591	46,124
Amounts due to related companies	176,633	—	—	176,633	176,633
	672,036	16,197	—	688,233	677,147
Financial guarantees issued:					
Maximum amount guaranteed	10,000	—	—	10,000	—

(c) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (being interest-bearing financial liabilities less pledged bank deposits and bank deposits) at the end of the reporting period.

	As at 31 December					
	2009		2010		2011	
	Effective interest rate		Effective interest rate		Effective interest rate	
	%	RMB'000	%	RMB'000	%	RMB'000
Net fixed rate borrowings:						
Obligations under finance lease	—%	—	5.4–5.9%	74,662	5.9–6.7%	46,124
Bank loans	0.9–6.9%	302,741	1.7–6.4%	265,889	3.2–7.3%	286,071
Less: pledged bank deposits	2.0–2.5%	(225,899)	1.9–2.8%	(236,568)	2.0–3.5%	(188,380)
		76,842		103,983		143,815
Variable rate borrowings:						
Bank loans	5.4–6.4%	20,000	3.3–9.7%	90,000	3.0–5.6%	87,118
Less: pledged bank deposits	0.4%	(20,000)	0.4–0.7%	(20,000)	—%	—
Less: bank deposits	0.4%	(54,816)	0.4–0.7%	(67,781)	0.4–0.5%	(130,169)
		(54,816)		2,219		(43,051)
Total net interest–bearing borrowings		22,026		106,202		100,764

(ii) Sensitivity analysis

The Group does not account for any fixed rated borrowings at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect profit or loss.

It is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have changed the Group's profit for the year and retained earnings as follow.

	As at 31 December					
	2009		2010		2011	
	Increase/ (decrease) in basis points	Effect on profit for the year and retained earnings	Increase/ (decrease) in basis points	Effect on profit for the year and retained earnings	Increase/ (decrease) in basis points	Effect on profit for the period and retained earnings
		RMB'000		*RMB'000*		*RMB'000*
Interest rate	50	257	50	(9)	50	181
	(50)	(257)	(50)	9	(50)	(181)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros, United States dollars, Japanese Yen and Hong Kong dollars. At present, the Group has no hedging policy with respect to its foreign exchange exposure.

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of non-PRC companies comprising the Group into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Renminbi)											
	As at 31 December											
	2009				2010				2011			
	Euros	USD	JPY	HKD	Euros	USD	JPY	HKD	Euros	USD	JPY	HKD
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	—	5,347	—	—	—	25,285	—	—	—	2,317	—	—
Pledged bank deposits	—	171	—	—	8,797	—	—	—	—	—	—	—
Cash and cash equivalents	—	6,787	22,103	—	28	13,329	14	—	40	906	86	446
Trade and other payables	—	(20,996)	—	—	—	(24,917)	—	(165,462)	—	(17,734)	—	(176,633)
Bank loans	—	(21,157)	(80,774)	—	—	(15,324)	(146,657)	—	(7,899)	(22,402)	(124,244)	—
Gross exposure arising from recognised assets and liabilities	—	(29,848)	(58,671)	—	8,825	(1,627)	(146,643)	(165,462)	(7,859)	(36,913)	(124,158)	(176,187)
Notional amounts of forward exchange contracts	—	19,056	—	—	6,988	15,285	—	—	7,899	3,955	—	—
Net exposure arising from recognised assets and liabilities	—	(10,792)	(58,671)	—	15,813	13,658	(146,643)	(165,462)	40	(32,958)	(124,158)	(176,187)

The following table indicates the instantaneous change in the Group's profit for the year (and retained earnings) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	As at 31 December					
	2009		2010		2011	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit for the year and retained earnings**	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit for the year and retained earnings**	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit for the period and retained earnings**
		RMB'000		*RMB'000*		*RMB'000*
Euros	10%	—	10%	1,384	10%	3
	(10%)	—	(10%)	(1,384)	(10%)	(3)
United States Dollars	5%	(472)	5%	598	5%	(1,401)
	(5%)	472	(5%)	(598)	(5%)	1,401
Japanese Yen	10%	(5,868)	10%	(12,832)	10%	(10,853)
	(10%)	5,868	(10%)	12,832	(10%)	10,853
Hong Kong Dollar	5%	—	5%	(8,273)	5%	(8,809)
	(5%)	—	(5%)	8,273	(5%)	8,809

(e) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	As at 31 December 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
Derivative financial instruments:				
— Forward exchange contracts	—	148	—	148

	As at 31 December 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
Derivative financial instruments:				
— Forward exchange contracts	—	279	—	279

	As at 31 December 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
Derivative financial instruments:				
— Forward exchange contracts	—	798	—	798

During the years ended 31 December 2009, 2010 and 2011, there were no significant transfers between instruments in Level 1 and Level 2.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2009, 2010 and 2011.

25 Commitments

Capital commitments outstanding at 31 December 2009, 2010 and 2011 not provided for in the Financial Information were as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for	—	38,867	—

26 Contingent liabilities

Under a mediation agreement entered during the year ended 31 December 2008, which is related to a dispute among shareholders of Zibo Yinlong Industrial Co., Ltd., including Mr. Liu, a subsidiary of the Group agreed to be jointly and severally liable to a portion of the mediation settlement totaling RMB45,000,000. As at 31 December 2009, 2010 and 2011, the outstanding mediation settlement amounted to RMB30,000,000, RMB20,000,000 and RMB10,000,000 respectively. Based on legal advice, the directors do not consider it probable that a claim will be made against the Group under the guarantee as at 31 December 2009, 2010 and 2011. The maximum liability of the Group at 31 December 2009, 2010 and 2011 under the guarantee issued is RMB30,000,000, RMB20,000,000 and RMB10,000,000 respectively.

As at 31 December 2009, 2010 and 2011, the Group has issued single guarantees in respect of loans made by banks to related companies. As at 31 December 2009, 2010 and 2011, the directors do not consider it probable that a claim will be made against the Group under any of the guarantees. The maximum liability of the Group at 31 December 2009, 2010 and 2011 under the single guarantees issued is the outstanding amount of the loans of the related companies of RMB30,000,000, RMB50,000,000 and RMB Nil respectively.

As at 31 December 2009, 2010 and 2011, the Group has issued single guarantees in respect of loans made by banks to unrelated parties. As at 31 December 2009, 2010 and 2011, the directors do not consider it probable that a claim will be made against the Group under any of the guarantees. The maximum liability of the Group at 31 December 2009, 2010 and 2011 under the single guarantees issued is the outstanding amount of the loans of the unrelated parties of RMB48,000,000, RMB28,000,000 and RMB Nil respectively.

Deferred income in respect of the single guarantees issued is disclosed in note 19. The Group has not recognised any deferred income in respect of the joint and several guarantee as its fair value cannot be reliably measured using observable market data and its transaction price was RMB Nil.

27 Material related party transactions

During the Relevant Period, transactions with the following parties are considered to be related party transactions:

Name of party	Relationship with the Group
Mr. Liu Dong ("Mr. Liu")	Director and ultimate controlling party of the Company
Mr. Lv Ruichuan ("Mr. Lv") *(Note 1)*	Senior management of the Company
Ms. Sun Hongchun ("Ms. Sun")	Senior management of the Company
Mr. Tian Chengjie ("Mr. Tian")	Director of the Company
Excel Orient Ltd. ("Excel Orient")	Immediate holding company
Zibo Boshan Yinshan Chemical Fiber Co., Ltd. ("Yinshan Chemical Fiber") (淄博博山銀杉化纖有限公司) *(Note 2)*	Immediate holding company of Zibo Yinshilai Textile Co., Ltd. prior to the Reorganisation and controlled by Mr. Liu
Zibo Tianrui Investment Co., Ltd. ("Tianrui Investment") (淄博天瑞投資有限公司) *(Note 2)*	Immediate holding company of Zibo Huiyin Textile Co., Ltd. prior to the Reorganisation and controlled by Mr. Liu
Zibo Tianhao Dyeing & Textiling Co., Ltd. ("Tianhao") (淄博天浩織染有限公司) *(Note 2)*	Controlled by Mr. Liu
Zibo Yinlong Industrial Co., Ltd. ("Yinlong Industrial") (淄博銀龍實業有限公司) *(Note 2 & 3)*	Controlled by Mr. Liu

Note 1: Mr. Lv ceased to be a member of the senior management and was appointed as a consultant of the Company subsequent to 31 December 2011.

Note 2: The English translation of the names is for reference only. The official names of these entities are in Chinese.

Note 3: Yinlong Industrial ceased to be a related party of the Group after Mr. Liu transferred its interest in Yinlong Industrial to third parties during the year ended 31 December 2011.

The Group has entered into the following material related party transactions during the Relevant Period:

(a) Transactions with related parties

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Purchases of goods			
— Yinlong Industrial	71,033	104,177	7,483
— Others	1,412	118	4
Purchases of processing service			
— Yinlong Industrial	28,086	26,832	889
— Others	113	51	—
Purchases of electricity and steam power			
— Yinlong Industrial	8,561	11,885	1,629
Sales of goods			
— Yinlong Industrial	79	693	—
— Others	1,388	30	—
Provision of electricity to Yinlong Industrial	—	—	1,074
Rental income from Yinlong Industrial	2,524	2,524	—
Purchases of fixed assets from Yinlong Industrial	—	28,101	—

The directors have confirmed that Yinlong Industrial ceased to be a related party after Mr. Liu transferred its interest in Yinlong Industrial to third parties during the year ended 31 December 2011. The above transactions with other related parties will not be continued upon listing of the Company's shares on HKSE. In the opinion of the directors, the above related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	526	1,477	1,667
Post-employment benefits	23	30	33
	549	1,507	1,700

Total remuneration is disclosed in "staff costs" (see note 4(b)).

(c) Balances with related parties

As at 31 December 2009, 2010 and 2011, the Group had the following balances with related parties:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties *(note (i, ii))*			
— Tianhao	—	—	—
— Yinshan Chemical Fiber	12,580	—	—
— Tianrui Investment	12,455	—	—
— Mr. Lv *(note (iii))*	499	751	—
— Ms. Sun *(note (iv))*	—	582	—
— Mr. Tian *(note (v))*	297	602	—
Trade creditors *(note (ii))*			
— Yinlong Industrial	24,570	45,066	—
Amounts due to related parties *(note (ii))*			
— Excel Orient	—	165,462	176,633
— Tianhao	8,308	94,837	—
— Yinshan Chemical Fiber	—	66,739	—
— Mr. Liu	17,842	—	—
— Mr. Lv	5,700	—	—
— Ms. Sun	513	—	—

(i) No provisions for bad or doubtful debts have been made in respect of the above amounts due from related parties.

(ii) The amount due to Excel Orient as at 31 December 2010 and 2011 represents mainly cash advances to the Group to finance the Reorganisation and the acquisition of non-controlling interests.

The amount due to Excel Orient is unsecured, interest-free and repayable on or before 23 November 2015. The Group repaid RMB30 million to Excel Orient and Excel Orient waived the remaining balance subsequent to 31 December 2011. The waived amount of RMB147 million was credited directly to equity as a capital contribution.

The amount due to Yinshan Chemical Fiber as at 31 December 2010 represents the outstanding consideration for acquisition of the equity interests in Zibo Yinshilai Textile Co., Ltd.

The amounts due to other related parties represent mainly cash advances to the Group to finance the Group's operation.

The amount due to Yinshan Chemical Fiber and the amounts due to other related parties are unsecured, interest-free and repayable on demand.

The directors have confirmed that Yinlong Industrial ceased to be a related party after Mr. Liu transferred its interest in Yinlong Industrial to third parties during the year ended 31 December 2011 and the balances with all related parties have been settled prior to the Listing of the Company's shares on HKSE.

(iii) In respect of the amount due from Mr. Lv, the maximum balance outstanding during the years ended 31 December 2009, 2010 and 2011 are RMB699,000, RMB751,000 and RMB904, 000 respectively.

(iv) In respect of the amount due from Ms. Sun, the maximum balance outstanding during the years ended 31 December 2009, 2010 and 2011 are RMB Nil, RMB582,000 and RMB782,000 respectively.

(v) In respect of the amount due from Mr. Tian, the maximum balance outstanding during the years ended 31 December 2009, 2010 and 2011 are RMB447,000, RMB602,000 and RMB602,000 respectively.

(d) Personal guarantees provided to the Group in respect of banking facilities

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Mr. Liu	58,000	30,000	—
Mr. Lv	—	14,000	—

The directors have confirmed that all guarantees issued by related parties have been released by the creditor banks prior to the listing of the Company's shares on HKSE.

(e) Corporate guarantees provided to the Group for banking facilities

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Yinlong Industrial	142,810	149,908	—
Tianhao	107,900	103,908	—

The directors have confirmed that all guarantees issued by related parties have been released by the creditor banks prior to the listing of the Company's shares on HKSE.

(f) Guarantees provided to related parties

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Mr. Liu *(note (i))*	30,000	20,000	10,000
Yinlong Industrial	30,000	30,000	—
Tianhao	—	20,000	—

(i) The directors have confirmed that Mr. Liu will remit RMB10,000,000 into the designated bank account of jurisdiction court for the payment of outstanding mediation settlement (see note 26), prior to the listing of the Company's shares on HKSE.

(ii) The directors have confirmed that all other guarantees provided to related parties have been released prior to the listing of the Company's shares on HKSE.

28 Immediate and ultimate controlling parties

As at 31 December 2011, the directors consider the immediate controlling party of the Group to be Excel Orient Ltd., which is incorporated in the British Virgin Islands, and the ultimate controlling party of the Company to be Mr. Liu.

29 Accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The significant accounting policies are set out in Note 1. Key sources of estimation uncertainty in the preparation of the Financial Information are as follows:

(a) Impairment of non-current assets

If circumstances indicate that the carrying value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable and goodwill is tested for impairment at least annually. When such a decline has occurred, the carrying amount is reduced to the recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and value in use. It is difficult to precisely estimate fair value because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which require significant judgement relating to items such as the level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume and amount of operating costs.

(b) Depreciation and amortisation

Fixed assets are depreciated/amortised on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the fixed assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Impairment of trade and other receivables

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make required payments. The Group bases the estimates on the aging of the trade and other receivables balance, credit-worthiness of the debtors and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. These estimates could change significantly as a result of changes in customer preferences and competitor actions. Management reassesses these estimates at the end of each reporting period.

(e) Taxation

The Group files income taxes, including PRC dividend withholding tax, with a number of tax authorities. Judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determinations are uncertain during the ordinary course of business, where the final tax outcomes of these matters are different from the amounts originally recorded, the differences may impact the current income tax and deferred income tax provisions in the period in which the final tax outcomes become available.

(f) Going concern basis

The Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group as at 31 December 2011. The directors are of the opinion that, based on the detailed review of the working capital forecast of the Group for the year ending 31 December 2012 and of the anticipated ability of the Group to obtain continued bank financing to finance its operation, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements.

30 Statements of financial position of the Company

The particulars of the statements of financial position of the Company as at 31 December 2010 and 2011 are set out below:

	Note	As at 31 December 2010 *RMB'000*	As at 31 December 2011 *RMB'000*
Non-current assets			
Investments in subsidiaries	(a)	—	—
Current assets			
Amounts due from the subsidiaries	(b)	165,460	176,230
Cash and cash equivalents		—	408
		165,460	176,638
Current liabilities			
Other payables		—	4
Amounts due to the holding company	(b)	165,462	176,633
		165,462	176,637
Net current (liabilities)/assets		(2)	1
Net (liabilities)/assets		(2)	1
Equity			
Share capital	(c)	—	68
Accumulated losses		(2)	(67)
Total equity		(2)	1

Notes:

(a) Investment in subsidiaries is stated as cost of RMB13 and details of the subsidiaries as at 31 December 2010 and 2011 are set out in Section A.

(b) The amounts due from the subsidiaries and the amount due to the holding company are unsecured, interest-free and repayable on or before 23 November 2015.

The Company repaid RMB30 million to the holding company and the holding company waived the remaining balance subsequent to 31 December 2011. The waived amount of RMB147 million was credited directly to equity as a capital contribution.

(c) The Company was incorporated in the Cayman Islands on 24 February 2010. The issued capital as at the date of incorporation was USD1.00. During the year ended 31 December 2010, 1 share was allotted and issued to Excel Orient, as part of the Reorganisation as detailed in the section headed

"History, Reorganization and Group Structure" in the Prospectus. During the year ended 31 December 2011, 9,999 shares of USD1.00 each were allotted and issued to Excel Orient. The Company has not carried on any business since the date of incorporation to 31 December 2011.

31 List of auditors of the subsidiaries

The list of auditors of the statutory financial statements of the subsidiaries was as follows:

Name of company	Financial period	Statutory auditors
Zibo Yinshilai Textile Co., Ltd. *(Note)* (淄博銀仕來紡織有限公司)	For the year ended 31 December 2009	Shandong Shengming Certified Public Accountants (山東盛銘會計師事務所)
	For the year ended 31 December 2010	Shandong Bohua Certified Public Accountants Limited (山東博華有限責任會計師事務所)
	For the year ended 31 December 2011	Zibo Jiufang Certified Public Accountants Limited (淄博九方有限責任會計師事務所)
Zibo Huiyin Textile Co., Ltd. *(Note)* (淄博匯銀紡織有限公司)	For the year ended 31 December 2009	Shandong Shengming Certified Public Accountants (山東盛銘會計師事務所)
	For the year ended 31 December 2010	Shandong Bohua Certified Public Accountants Limited (山東博華有限責任會計師事務所)
	For the year ended 31 December 2011	Zibo Jiufang Certified Public Accountants Limited (淄博九方有限責任會計師事務所)
YSL (HK) Ltd. 銀仕來(香港)有限公司	From 1 March 2010 (date of incorporation) to 31 December 2010 and for the year ended 31 December 2011	Cheng & Cheng Limited, Certified Public Accountants (鄭鄭會計師事務所有限公司)
Huiyin (HK) Ltd. 匯銀(香港)有限公司	From 1 March 2010 (date of incorporation) to 31 December 2010 and for the year ended 31 December 2011	Cheng & Cheng Limited, Certified Public Accountants (鄭鄭會計師事務所有限公司)

Note: The English translation of the names is for reference only. The official names of these entities are in Chinese.

32 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Period

Up to the date of this report, the IASB has issued a number of amendments and interpretations and one new standard which are not yet effective for the Relevant Period and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 7, Financial instruments: Disclosures — Transfer of financial assets	1 July 2011
Amendments to IAS 12, Income taxes — Deferred tax: Recovery of underlying assets	1 January 2012
Amendments to IAS 1, Presentation of financial statements — Presentation of items of other comprehensive income	1 July 2012
IFRS 9, Financial instruments	1 January 2015
IFRS 10, Consolidated financial statements	1 January 2013
IFRS 11, Joint arrangements	1 January 2013
IFRS 12, Disclosure of interests in other entities	1 January 2013
IFRS 13, Fair value measurement	1 January 2013
IAS 27, Separate financial statements (2011)	1 January 2013
Revised IAS 19, Employee benefits	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

D NON-ADJUSTING POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 31 December 2011

(a) Share sub-division

The Company sub-divided each of its authorised shares and issued shares of USD1.00 into 100 shares of USD0.01 each on 26 June 2012. As a result of the share sub-division, the authorised share capital of the Company was divided into 5,000,000 shares of USD0.01 each and the issued share capital of the Company was divided into 1,000,000 shares of USD0.01 each.

The Company increased its authorised share capital to USD100,000,000 by creation of 9,995,000,000 shares of USD0.01 each on 26 June 2012.

(b) Share Option Scheme

Pursuant to the written resolutions of the shareholders of the Company passed on 26 June 2012, the Company has conditionally adopted a Share Option Scheme. The principal terms of the Share Option Scheme are summarised in Appendix VI to the Prospectus.

(c) Repayment and waiver of the amount due to Excel Orient

In regard of the amount due to Excel Orient of RMB177 million as at 31 December 2011, the Group repaid RMB30 million to Excel Orient subsequent to 31 December 2011 and Excel Orient waived the remaining balance of RMB147 million, which was credited directly to equity as a capital contribution, on 14 March 2012.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 December 2011.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong