銀仕來

2013 INTERIM REPORT

SILVERMAN HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code：1616)

銀仕來

SILVERMAN HOLDINGS LIMITED
銀仕來控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code：1616)

2013 INTERIM REPORT

CONTENTS

SUMMARY

- Turnover was approximately RMB387.9 million, representing a decrease of approximately 10.8% as compared to that of the corresponding period of last year.

- Gross profit margin was approximately 13.7% of the turnover, representing a decrease of approximately 7.8 percentage points as compared to that of approximately 21.5% for the corresponding period in previous year.

- Gross profit decreased by approximately RMB40.3 million, or approximately 43.0%, to approximately RMB53.3 million for the six months ended 30 June 2013.

- Profit attributable to the equity shareholders of the Company was approximately RMB22.6 million, representing a decrease of approximately 58.9% as compared to that of the corresponding period of last year.

CORPORATE INFORMATION

The Board of Directors

Executive Directors

Mr. LIU Dong *(Chairman)*
Mr. LIU Zongjun
Mr. TIAN Chengjie

Independent Non-executive Directors

Ms. ZHU Beina
Mr. ZHU Ping
Mr. LAM Kai Yeung

Company secretary

Ms. CHAN Yin Wah, *FCS, FCIS, FCCA*

Authorised representatives

Mr. LIU Dong
Ms. CHAN Yin Wah

Audit committee

Mr. LAM Kai Yeung *(Chairman)*
Ms. ZHU Beina
Mr. ZHU Ping

Remuneration committee

Mr. ZHU Ping *(Chairman)*
Ms. ZHU Beina
Mr. LIU Dong

Nomination committee

Ms. ZHU Beina *(Chairlady)*
Mr. ZHU Ping
Mr. LIU Dong

Registered office

P.O. Box 309, Ugland House,
Grand Cayman, KY1-1104,
Cayman Islands

Head office, headquarter and principal place of business in the PRC

Yinlong Village,
Economic Development Zone,
Boshan District, Zibo City,
Shandong Province,
The PRC

Middle Section, West Guojing Road,
Boshan District, Zibo City,
Shandong Province,
The PRC

Head office, headquarter and principal place of business in Hong Kong

3907-08,
39th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong

Legal adviser to the Company (Hong Kong Law)

Li & Partners
22nd Floor, World-Wide House,
Central,
Hong Kong

Auditor

KPMG
Certified Public Accountants
8th Floor, Prince's Building,
10 Chater Road,
Central,
Hong Kong

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

Compliance adviser

First Shanghai Securities Limited
1905 Wing On House,
71 Des Voeux Road Central,
Hong Kong

Cayman Islands share registrar and transfer office

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall,
Cricket Square,
Grand Cayman, KY1-1102,
Cayman Islands

Principal banker

Bank of China Limited
Zibo Boshan Branch
63, Center Road,
Boshan District,
Zibo City,
Shandong Province,
The PRC

Stock code

1616

Company's website address

http://www.ysltex.com

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2013, China's textile industry has continued the basic running situation of 2012. The recovery, to some extent, of the economy of the United States of America (USA) has benefited the textile industry of countries or regions such as India and Pakistan. Nevertheless, with the impact from the slowdown of domestic economy, continued appreciation of RMB, rising in the labour cost and, in particular, the big price difference between the domestic and overseas cotton, Chinese textile enterprises encountered great pressure.

Influenced by the appreciation of RMB, the import and export of China showed a gradual falling trend in the first half of 2013. The year-on-year growth rate of the import and export was approximately 13.5% in the first quarter of 2013 and dropped to approximately 4.3% in the second quarter of 2013. Among them, the growth rate was approximately 0.3% in May 2013 and further dropped to negative growth of approximately 2.0% in June 2013 (thereof the export dropped by approximately 3.1%). In contrast, the export of textile products and apparel has showed sign of stablizing, the export for the first half of 2013 amounts to approximately USD127.23 billion, approximately 12.1% of year-on-year gowth. Nevertheless, the growth of export fluctuated throughout the period, which was approximately 70% the highest in February 2013 and sharply dropped to 11% of negative growth in March 2013. In addition, the growth rate in the second quarter of 2013 was approximately 9.2% which had significantly dropped as compared to approximately 15.7% in the first quarter of 2013. The uncertainties in the export of textile products will undoubtedly increase the wait-and-see atmosphere of Chinese textile enterprises.

Domestically, the Gross Domestic Product ("GDP") of China was approximately RMB24,800.9 billion in first half of 2013, representing a year-on-year growth of approximately 7.6%, of which, the growth was approximately 7.7% in the first quarter and approximately 7.5% in the second quarter, which showed an obvious slowdown in the economic growth. In the first half of 2013, due to the impact of price control in the domestic cotton and restriction in the import quota, the price difference between the domestic and overseas cotton continued the price posture of the previous year. The price difference was narrowed to nearly RMB3,000/ton in early April 2013, but was widened afterwards. The average price difference was approximately RMB4,500/ton during the six months ended 30 June 2013 (the "Period under Review"). In particular, the price of cotton in India, one of the most major competitors of China in the textile industry, was approximately RMB7,550/ton lower than that in China. Due to the substantial price difference between the domestic and overseas cotton, together with the appreciation of RMB, the market competitiveness and profitability of Chinese textile enterprises were heavily weakened.

BUSINESS REVIEW

Influenced by aforementioned adverse factors, Silverman Holdings Limited (the "Company") and its subsidiaries (the "Group") recorded a falling operating result in the first half of 2013. Facing this adverse market situation, the Group firmly implemented its core strategy and continued to consolidate the development of its principal business. By leveraging on its mature and stable innovation system and advantages of market resources, the Group has maintained 100% of operation rate and realized balance in production and sale in the first half of 2013. Furthermore, the Group emphasizes more on the lean management, implemented energy saving measures, optimized the resource mix and strengthened our internal management and costs control in order to alleviate the impact of the aforementioned adverse factors and maintain its leading position in the designated market.

For the Period under Review, the Group's revenue was approximately RMB387.9 million, a decrease of approximately 10.8% as compared with approximately RMB434.7 million for the corresponding period in previous year. The decrease was mainly due to the decline of the product price. Profit attributable to equity shareholders of the Company was approximately RMB22.6 million, representing a decrease of approximately 58.9% as compared with approximately RMB55.1 million in the corresponding period of last year. The decrease in profit was mainly due to the drop in the average selling price of the textile products of the Group resulted from the declining international and domestic economy, the rising labour cost and the increase of R&D expenses.

For the six months ended 30 June 2013, the sales volume of jacquard fabrics and dobby fabrics, the Group's major products, were approximately 5.1 million meters and 20.3 million meters respectively, representing an increase of approximately 9.0% and a decrease of approximately 0.9% respectively as compared to those of the corresponding period in previous year. The percentage of revenue derived from the jacquard and dobby fabrics made of new materials amounted to approximately 52.4%, representing a decrease of approximately 8.0% as compared to that of the corresponding period of last year. The percentage of revenue derived from the jacquard fabrics amounted to approximately 25.2%, representing an increase of approximately 3.0% as compared to that of the corresponding period in previous year. The Group will continue to increase the R&D investment and enhance the development for high-end new material fabrics in order to maintain the Company's leading position in the industry.

The innovation performance of the Group has continued to raise its industry image and social influence. In view of this, Mr. Liu Dong, Chairman of the Board, was awarded the title of "2012 Innovative Person in Textile Industry" (「2012 年紡織行業年度創新人物」) in April 2013. Furthermore, the Group was awarded the first "Mayor Quality Award of Zibo City"(首屆「淄博市市長質量獎」) in March 2013.

FINANCIAL REVIEW

Turnover, gross profit and gross profit margin

The table below is an analysis of the Group's turnover, gross profit and gross profit margin of its major product categories for the six months ended 30 June 2013 and 2012, respectively:

	For the six months ended 30 June					
	2013			2012		
Product	Turnover RMB'000	Gross profit RMB'000	Gross profit margin %	Turnover RMB'000	Gross profit RMB'000	Gross profit margin %
Jacquard grey fabrics	**97,915**	**18,721**	**19.1%**	96,474	22,347	23.2%
Dobby grey fabrics	**277,575**	**33,727**	**12.2%**	320,897	68,330	21.3%
Processing service income	**8,992**	**805**	**9.0%**	6,835	665	9.7%
Others	**3,389**	**57**	**1.7%**	10,505	2,242	21.3%
Total	**387,871**	**53,310**	**13.7%**	434,711	93,584	21.5%

For the six months ended 30 June 2013, the gross profit margin of the Group decreased by approximately 7.8 percentage points, from approximately 21.5% to approximately 13.7%, when compared to that of the corresponding period in previous year. The decrease of the major products gross profit margins and the overall gross profit margin were mainly due to (i) the decrease of product price resulting from the uncertain domestic and international economies; and (ii) the increase in the labour costs as compared to that of the corresponding period in previous year. In addition to cost control, the Group developed new and special products according to the market demand to optimize the product mix, and implemented flexible and effective marketing strategy to maximize the Group's gross profit margin.

Distribution costs

For the six months ended 30 June 2013, total distribution costs of the Group increased by approximately 4.5% to approximately RMB5.6 million from approximately RMB5.3 million of the corresponding period in previous year. Such increase was mainly due to the increase in labour costs and marine charges during the Period under Review when compared to that of the corresponding period in previous year.

Administrative expenses

For the six months ended 30 June 2013, the administrative expenses of the Group was approximately RMB28.6 million, representing an increase of approximately 79.9% when compared to that of approximately RMB15.9 million of the corresponding period in previous year. The substantial increase was mainly due to the increase in the staff cost and office expenses incurred for the construction of new production line and the increase in the R&D expenses.

Net finance costs

During the Period under Review, the Group recorded a net finance income of approximately RMB7.9 million due to the decrease of finance costs and the increase of finance income as compared to those of the corresponding period in previous year. For the six months ended 30 June 2013, the finance costs of the Group were approximately RMB8.3 million, representing a decrease of approximately RMB3.9 million as compared to that of approximately RMB12.2 million of the corresponding period in 2012, which was mainly due to the decrease in the interest expenses resulted from the decrease in amount of bank loans. The finance income of the Group was approximately RMB16.2 million, representing an increase of approximately RMB13.3 million when compared to that of approximately RMB2.9 million of the corresponding period in 2012, which was mainly due to the increase in foreign exchange gain in the first half of 2013 when compared to that of the corresponding period in previous year.

Taxation

Taxation of the Group decreased by approximately 13.8% from approximately RMB9.4 million in the first half of 2012 to approximately RMB8.1 million in the Period under Review. This was mainly due to the decrease in taxable profit and the expiration of tax holding entitled by a subsidiary of the Group during the Period under Review.

Profit attributable to the equity shareholders of the Company

For the six months ended 30 June 2013, the profit attributable to the equity shareholders of the Company was approximately RMB22.6 million, representing a decrease of approximately 58.9%, from approximately RMB55.1 million as compared to that of the corresponding period in 2012. The decrease was mainly due to the drop of the product selling price and the increase of labour costs. The gross profit margin for the six months ended 30 June 2013 dropped to approximately 13.7%, or by approximately 7.8 percentage points, from that of approximately 21.5% for the corresponding period in previous year. As a consequence, the gross profit dropped by approximately 43.0%, or approximately RMB40.3 million, to approximately RMB53.3 million for the six months ended 30 June 2013 from that of approximately RMB93.6 million for the corresponding period in previous year.

Liquidity and financial resources

As at 30 June 2013, cash and cash equivalents of the Group were approximately RMB110.4 million, representing a decrease of approximately 19.2% from approximately RMB136.6 million as at 31 December 2012. The decrease was mainly because of loans repayment and investment made for the construction of new production line during the Period under Review.

As at 30 June 2013, the Group’s cash and cash equivalents were mainly held in Renminbi, Japanese Yen, US dollars, HK dollars and Euro, of which, approximately RMB76.4 million (31 December 2012: RMB85.5 million) or 69.2% (31 December 2012: 62.6%) of the cash and cash equivalents were held by the Group in Renminbi.

For the six months ended 30 June 2013, the Group's net cash generated from operating activities was approximately RMB27.4 million, net cash used in investing activities was approximately RMB14.7 million and net cash used in financing activities was approximately RMB38.9 million. Cash and cash equivalents decreased by approximately RMB26.2 million during the Period under Review (as at 31 December 2012: approximately RMB136.6 million). The Board believes that the Group will maintain a sound and stable financial position, and will maintain sufficient liquidity and financial resources for the Group's business need.

The Group's customers have been granted a credit period typically ranging from 30 to 180 days pursuant to the payment terms of the purchase or processing orders. The length of credit period depends on various factors such as financial strength, size of the business and settlement history of those customers. For the six months ended 30 June 2013, the average trade receivables (including bills receivable) turnover period of the Group was approximately 41 days, up from 31 days for the corresponding period in previous year. The increase was mainly because the Group has granted longer credit terms to qualified customers with sound credit records in order to attract more customers' orders.

For the six months ended 30 June 2013, inventory turnover period of the Group increased to 93 days from 62 days for the corresponding period in previous year. This was mainly because of the increase in the stock level of raw materials for the purpose of preparing for the expected better market situation in future.

As at 30 June 2013, the Group's borrowings of approximately RMB259.6 million (31 December 2012: approximately RMB285.0 million), bore fixed interest at rates ranging from 4.0% to 6.8% (31 December 2012: 3.55% to 7.22%) per annum. As at 30 June 2013, the Group's borrowings of approximately RMB58.2 million (31 December 2012: approximately RMB74.9 million), bore floating interest at rates ranging from 4.00% to 6.6 % per annum (31 December 2012: 2.95% to 4.55%).

As at 30 June 2013, the Group's borrowings of approximately RMB273.4 million (31 December 2012: approximately RMB111.9 million) were denominated in RMB, borrowings of approximately RMB28.2 million (31 December 2012: approximately RMB248.0 million) were denominated in Japanese Yen and borrowings of approximately RMB16.2 million (31 December 2012: Nil) were denominated in US Dollar.

Capital structure

The Group continues to maintain an appropriate mix of equity and debt to ensure an efficient capital structure to reduce capital cost. As at 30 June 2013, the debts of the Group were mainly represented by borrowings with a total amount of approximately RMB317.8 million (31 December 2012: approximately RMB359.9 million). As at 30 June 2013, cash and cash equivalents were approximately RMB110.4 million (31 December 2012: approximately RMB136.6 million). As at 30 June 2013, the Group's gearing ratio was approximately 34.4% (31 December 2012: approximately 38.1%), which was calculated by dividing total debt (i.e. interest-bearing bank borrowings and obligations under finance lease, after deducting cash and cash equivalents) by total equity.

As at 30 June 2013, all the debts of the Group will become due within a year.

Capital commitments

Save as disclosed in note 14 below, the Group did not have any other significant capital commitments as at 30 June 2013 (31 December 2012: RMB9.3 million).

Exposure to foreign exchange risk

The Group has adopted a prudent policy in managing its exchange rate risks. The imports and exports of the Group were settled in US dollars and a portion of the bank borrowings are denominated in Japanese Yen. The repayment period of the import purchases and foreign borrowings is longer than the period of receiving export trade payments. The Group did not experience any significant difficulties in its operations or liquidity as a result of fluctuations in the currency exchange rates during the Period under Review. The Board believes that the Group will have sufficient foreign currency to meet its requirements.

The Group has not used any foreign currency derivatives to hedge against the exposure in foreign exchange.

Contingent liabilities

As at 30 June 2013, the Group did not have any contingent liabilities (31 December 2012: Nil).

Charges on assets

Save as disclosed in note 11 below, the Group pledged its machinery and equipment with net book value of approximately RMB62.3 million (31 December 2012: RMB68.2 million) to banks as securities for the bank borrowings as at 30 June 2013.

Employee and remuneration policy

As at 30 June 2013, the Group had a total of approximately 2,594 employees (31 December 2012: 2,420; 30 June 2012: 2,144), the increase in the number of staff as compared to that of the previous year was mainly because of the Group's recruitment of more employees for the new production line in the first half of 2013.

For the six months ended 30 June 2013, staff costs of the Group (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB51.0 million (2012: approximately RMB37.4 million). The increase in staff costs was mainly due to the Group's recruitment of more production staff for the new production line.

The Group continues to provide training to staff members to improve their operation skill. Meanwhile, the Group enhanced the work efficiency and average income of the staff through post-consolidation, process reorganization and improvement of working and living environment of the staff. The remuneration of the employees of the Group was subject to their working performance, experience and the industry practices. The management of the Group will also periodically review the remuneration policy and details. In addition, the Group provides bonuses and incentives based on their performances to encourage and motivate its staff to strive for better performance. During the year 2013, the Group will continue to provide training to staff members according to their respective skill requirements, such as training sessions on safety and skill.

FUTURE OUTLOOK

Looking ahead, despite of the economic slowdown, China is still the most active economic region in the world. In view of its huge population and continued growth in disposable income, the people's increasing demand for natural, healthy, environmental and comfortable properties and the putting-forward of the policy of speeding-up the urbanization, the Group holds an optimistic attitude on China's home textile and fabric market which is expected to maintain a growth with certain speed over a long period in future. This is also the grounds for the Group's construction of new production line.

In future, the Group will continue to focus on its core strategy and improve its development and innovation capabilities. In addition, the Group will further explore its potential, strengthen the management, and continue to promote energy saving, increase income and reduce expenses in order to improve the Group's profitability.

We firmly believe that, by further improving our innovation, continuously consolidating our market position and enhancing our good image of "Yinshilai" brand, the Group will be able to take full advantages of the fast growth of China's economy and home textile industry and rapidly grow into a leading enterprise in China high-end home textile fabric industry.

The Group expects to finance the above business plans from its internal resources, the bank borrowing and part of its net proceeds from the listing exercise completed in July 2012.

SUPPLEMENTARY INFORMATION

Significant investments held

Save as the investments in equity securities presented in the unaudited consolidated statement of financial position as at 30 June 2013, the Group did not hold any significant investment in equity interest in any company during the six months ended 30 June 2013.

Future plans for material investments and capital assets

Save as disclosed in the prospectus of the Group dated 29 June 2012 (the "Prospectus") and in the announcement made on 23 January 2013, the Group did not have any other plans for material investments and capital assets during the Period under Review.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the six months ended 30 June 2013, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Use of Proceeds

The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2012, and raised net proceeds from the Global Offering (the "Net IPO Proceeds") of approximately RMB112.0 million. According to the "Future Plans and Use of Proceeds" as stated in the Prospectus and "Change in the Use of Proceeds" as disclosed in the announcement made on 23 January 2013, the Group intended to apply the Net IPO Proceeds to the future plans by certain percentage. Up to 30 June 2013, the use of the Net IPO Proceeds was set out as below:

Future plans	**Planned percentage of the Net IPO Proceeds** %	**Planned approximate amount of the Net IPO Proceeds** *(RMB'million)*	**Actual amount utilised** *(RMB'million)*
Acquisition of 100,000 spindles of new type yarn spinning facilities	66%	73.9	25.2
Acquisition of land use right	19%	21.3	21.3
Enhancing research and development capabilities	5%	5.6	5.6
Upgrading information management system	3%	3.4	-
General working capital	7%	7.8	-
Total	**100%**	**112.0**	**52.1**

Purchase, sale or redemption of the Company's listed securities

For the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Interests and short positions of Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations

As at 30 June 2013, the Directors and chief executive of the Company had the following interests in the shares, underlying shares and debentures of the Company, its Group members and/or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Name of Directors	Name of Group member/ associated corporation	Capacity/nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
Mr. LIU Dong *(Note 2)*	Our company	Interest of a controlled corporation	553,609,836 Shares (L)	69.20%
	Excel Orient Limited	Beneficial owner	1 Share (L)	100%

Notes:

1. The letter "L" denotes the Directors' long position in the Shares or the relevant associated corporation.

2. The Shares are held by Excel Orient Limited which is a company incorporated in the British Virgin Islands ("BVI") and the entire issued capital of which is beneficially owned by Mr. LIU Dong, one of the controlling shareholders and executive Directors of the Company.

Save as disclosed above, as at 30 June 2013, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

Interest discloseable under the SFO and substantial shareholders

As at 30 June 2013, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
Excel Orient Limited *(Note 2)*	Our company	Beneficial owner	553,609,836 Shares (L)	69.20%
Ms. WANG Lingli *(Note 3)*	Our company	Family interest	553,609,836 Shares (L)	69.20%
Sunlion Holdings Limited *(Note 4)*	Our company	Beneficial owner	46,230,066 Shares (L)	5.78%
Mr. YAN Tangfeng *(Note 5)*	Our company	Interest of a controlled corporation	46,230,066 Shares (L)	5.78%
Ms. YANG Chun *(Note 6)*	Our company	Family interest	46,230,066 Shares (L)	5.78%

Notes:

1. The letter "L" denotes the Directors' long position in the shares of our Company or the relevant Group member.

2. Excel Orient Limited is a company incorporated in the BVIand the entire issued share capital of which is beneficially owned by Mr. LIU Dong, one of the controlling shareholders and executive Directors of the Company. Therefore, Mr. LIU Dong is also deemed to have the interest owned by Excel Orient Limited.

3. Ms. WANG Lingli is the spouse of Mr. LIU Dong. Therefore, Ms. WANG Lingli is deemed, or taken to be interested in the Shares which Mr. LIU Dong is interested in for the purpose of the SFO.

4. Sunlion Holdings Limited is a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. YAN Tangfeng. Therefore, Mr. YAN Tangfeng is also deemed to have the interest owned by Sunlion Holdings Limited.

5. These Shares are held by Sunlion Holdings Limited which is a company incorporated in the BVI and the entire issued capital of which is beneficially owned by Mr. YAN Tangfeng. Mr. YAN Tangfeng resigned as a non-executive Director on 15 May 2013.

6. Ms. YANG Chun is the spouse of Mr. YAN Tangfeng. Therefore, Ms. YANG Chun is deemed, or taken to be interested in the Shares which Mr. YAN Tangfeng is interested in for the purpose of the SFO.

Save as disclosed above, as at 30 June 2013, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, its Group members or associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Corporate governance

Adapting and adhering to the recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that lead to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

During the Period under Review, the Company had adopted and complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except Code Provisions A.1.8 and A.2.1 as more particularly described below.

Code Provision A.1.8 stipulates that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. Up to the date of this report, the Company has not arranged such insurance coverage for the Directors as the Board was of the opinion that sound and effective corporate governance within the Group would suffice in monitoring and mitigating legal and compliance risks. Nevertheless, the Board will continue to review the arrangements for insurance cover for the Directors from time to time, and may arrange for insurance cover in the future, if and when the Board considers appropriate.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Liu Dong has been the chairman and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the board and the management of the Company. The balance of power and authority is ensured by the effective operations of the Board, which comprises experienced and high caliber individuals.

Board diversity policy

Code Provision A.5.6 stipulates that the nomination committee (the "Nomination Committee") (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report (The effective date of this code provision will be on 1 September 2013).

With an aim to achieve diversity on the Board of the Company, the Board has approved and adopted a Board Diversity Policy (the "Policy") and revision to the terms of reference of the Nomination Committee of the Board to ensure the appropriate implementation of the Policy. The Policy was made with a view to achieving a sustainable and balanced development of the Company, of which, among others, all Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

The Company commits to selecting the best person for the role. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, age, length of service) will be disclosed in the Corporate Governance Report annually.

The Nomination Committee will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation of this Policy.

The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Model code for securities transactions by the Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company confirms that, having made specific enquiry of all Directors, all the Directors have compiled with the required standards of dealing as set out in the Model Code during the Period under Review.

Audit committee

The Audit Committee established by the Board has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financing reporting matters (including the review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2013).

Interim dividend

The Board does not propose an interim dividend for the six months ended 30 June 2013 (30 June 2012: RMB0.02375).

Events after the reporting period

No significant event took place during the period subsequent to 30 June 2013 and up to the date of this report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013 - unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2013 RMB'000	Six months ended 30 June 2012 RMB'000
Turnover	3	**387,871**	434,711
Cost of sales		**(334,561)**	(341,127)
Gross profit		**53,310**	93,584
Other net gains	4	**3,767**	1,400
Distribution costs		**(5,565)**	(5,325)
Administrative expenses		**(28,648)**	(15,877)
Profit from operations		**22,864**	73,782
Finance income	5(a)	**16,217**	2,890
Finance costs	5(a)	**(8,344)**	(12,178)
Profit before taxation		**30,737**	64,494
Income tax	6	**(8,112)**	(9,421)
Profit and total comprehensive income for the period		**22,625**	55,073
Profit and total comprehensive income attributable to equity shareholders of the Company		**22,625**	55,073
Earnings per share (RMB)	7		
Basic and diluted		**0.03**	0.09

The accompanying notes form part of this interim financial report. Details of the dividends payable to equity shareholders of the Company are set out in note 8.

Consolidated Statement of Financial Position

As at 30 June 2013 - unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2013 RMB'000**	At 31 December 2012 RMB'000
Non-current assets			
Fixed assets	9		
- Property, plant and equipment		**427,528**	379,739
- Interests in leasehold land under operating leases		**45,260**	8,789
		472,788	388,528
Intangible assets		**43**	65
Goodwill		**6,394**	6,394
Investments in equity securities		**1,000**	1,000
		480,225	395,987
Current assets			
Inventories		**182,299**	162,766
Trade and other receivables	10	**185,428**	161,985
Pledged bank deposits	11	**129,247**	182,628
Cash and cash equivalents	12	**110,355**	136,554
		607,329	643,933
Current liabilities			
Trade and other payables	13	**158,114**	88,246
Bank loans		**317,821**	344,106
Obligations under finance leases		**-**	15,798
Current taxation		**8,585**	6,441
		484,520	454,591
Net current assets		**122,809**	189,342
Total assets less current liabilities		**603,034**	585,329

The accompanying notes form part of this interim financial report.

Consolidated Statement of Financial Position (Continued)

As at 30 June 2013 - unaudited

(Expressed in Renminbi)

	Note	**At 30 June 2013 RMB'000**	At 31 December 2012 RMB'000
Non-current liabilities			
Deferred tax liabilities		**580**	500
		580	500
Net assets		**602,454**	584,829
Equity			
Capital		**50,577**	50,577
Reserves		**551,877**	534,252
Total equity		**602,454**	584,829

The accompanying notes form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013 - unaudited

(Expressed in Renminbi)

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2012	68	-	(909)	43,821	(27,377)	242,500	258,103
Change in equity for the six months ended 30 June 2012:							
Profit for the period	-	-	-	-	-	55,073	55,073
Total comprehensive income	68	-	(909)	43,821	(27,377)	297,573	313,176
Waiver of the amount due to the holding company	-	-	-	-	146,736	-	146,736
Balance at 30 June 2012	68	-	(909)	43,821	119,359	297,573	459,912
Balance at 1 January 2013	**50,577**	**74,447**	**(909)**	**52,699**	**119,359**	**288,656**	**584,829**
Change in equity for the six months ended 30 June 2013:							
Profit for the period	-	-	-	-	-	**22,625**	**22,625**
Total comprehensive income	**50,577**	**74,447**	**(909)**	**52,699**	**119,359**	**311,281**	**607,454**
Dividends to equity shareholders of the Company	-	-	-	-	-	**(5,000)**	**(5,000)**
Balance at 30 June 2013	**50,577**	**74,447**	**(909)**	**52,699**	**119,359**	**306,281**	**602,454**

The accompanying notes form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2013 - unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2013	2012
		RMB'000	RMB'000
Cash generated from operations		**35,156**	44,133
Income tax paid		**(7,787)**	(13,954)
Net cash generated from operating activities		**27,369**	30,179
Net cash (used in) / generated from investing activities		**(14,718)**	22,495
Net cash used in financing activities		**(38,850)**	(98,804)
Net decrease cash and cash equivalents		**(26,199)**	(46,130)
Cash and cash equivalents at 1 January	12	**136,554**	130,228
Cash and cash equivalents at 30 June	12	**110,355**	84,098

The accompanying notes form part of this interim financial report.

Notes to the Interim Financial report

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard 34 "Interim financial reporting" ("IAS 34"), issued by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 16 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted by Silverman Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") in the preparation of the consolidated financial statements for the year ended 31 December 2012, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"). IFRSs include IAS and related interpretations.

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company.

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2013.

2 Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 11, *Joint arrangements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- Revised IAS 19, *Employee benefits*
- *Annual Improvements to IFRSs 2009-2011 Cycle*
- Amendments to IFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

2 Changes in accounting policies (Continued)

IFRS 11, Joint arrangements

IFRS 11, which replaces IAS 31, Interests in joint ventures, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under IFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under IFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of IFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements.

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting IFRS 12.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of IFRS 13 does not have any significant impact on the fair value measurements of the Group's assets and liabilities.

Revised IAS 19, Employee benefits

Revised IAS 19 introduces a number of amendments to the accounting for employee benefits. Among them, revised IAS 19 includes minor changes to definition of short-term employee benefits (in respect of the distinction between short-term and long-term). This change in accounting policy does not have any material impact on the Group's interim financial report.

2 Changes in accounting policies (Continued)

Annual Improvements to IFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the Group does not have any reportable segments with total assets or total liabilities materially different from the amounts reported in the last annual financial statements.

Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7.

3 Turnover and segment information

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 is as follows:

3 Turnover and segment information (Continued)

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Sales of textile products:		
- Dobby grey fabrics	**277,575**	320,897
- Jacquard grey fabrics	**97,915**	96,474
- Others	**3,389**	10,505
	378,879	427,876
Processing services income	**8,992**	6,835
	387,871	434,711

No segment information is presented 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. The following is an analysis of the Group's revenue by geographical markets:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
The PRC	**322,620**	412,814
Overseas	**65,251**	21,897
	387,871	434,711

4 Other net gains

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Government grants	**1,779**	135
Net gain on sale of scrap materials	**1,693**	15
Net gain on forward exchange contracts	**-**	628
Others	**295**	622
	3,767	1,400

5 Profit before taxation

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

(a) Finance income and finance costs

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Finance income		
Interest income	**(2,501)**	(2,890)
Foreign exchange gain	**(13,716)**	-
	(16,217)	(2,890)
Finance costs		
Interest on borrowings	**7,947**	10,131
Less: interest capitalised into property, plant and equipment	**(1,070)**	-
Interest expenses	**6,877**	10,131
Finance charges on obligations under finance leases	**399**	1,189
Foreign exchange loss	**725**	607
Other finance charges	**343**	251
	8,344	12,178

(b) Other items

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Depreciation	**32,210**	29,665
Amortisation		
- leasehold land	**99**	99
- intangible assets	**22**	32

6 Income tax

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current tax	**7,532**	11,253
Deferred tax	**580**	(1,832)
	8,112	9,421

(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 six months ended 30 June 2013, Hong Kong Profits Tax rate is 16.5% (2012: 16.5%). The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.

(iii) The statutory tax rate applicable to the subsidiaries established in the PRC was 25% (2012: 25%), except for the following.

Zibo Yinshilai Textile Co., Ltd., a subsidiary of the Company, was granted the status of a "High and New Technology Enterprise" and, accordingly, entitles to preferential PRC Enterprise Tax rate of 15%. The qualification of "High and New Technology Enterprise" of 2013 is under review.

(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., subsidiaries of the Company, would be subject to the PRC dividend withholding tax on dividends receivables from their PRC subsidiaries.

7 Earnings per share

The calculation of basic and diluted earnings per share for the six months ended 30 June 2013 is based on the profit attributable to equity shareholders of the Company of RMB22,625,000 (six months ended 30 June 2012: RMB55,073,000) and the weighted average of 800,000,000 shares (six months ended 30 June 2012: 639,420,000 shares, after adjusting for the share sub-division and the capitalisation issue in 2012), in issue during the interim period.

There was no difference between basic and diluted earnings per share as there were no dilutive potential shares outstanding for the six months ended 30 June 2013 and 2012 respectively.

8 Dividends

(i) Dividend payable to equity shareholders attributable to the interim period

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Interim dividend declared after the interim period of RMB nil per share (2012: RMB0.02375)	-	19,000

The interim dividend has not been recognised as a liability in the consolidated statement of financial position.

(ii) Dividend payable to equity shareholders attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period	**5,000**	-

The final dividend in respect of the financial year ended 31 December 2012 was paid in July 2013.

9 Fixed assets

During the six months ended 30 June 2013, the Group acquired items of property, plant and machinery with a cost of RMB80,000,000 (six months ended 30 June 2012: RMB4,114,000) and interests in leasehold land under operating leases with a cost of RMB36,570,000 (six months ended 30 June 2012: Nil). No items of fixed assets were disposed during the six months ended 30 June 2013 and 2012.

10 Trade and other receivables

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Current	**91,677**	79,301
Less than 3 month past due	**3,620**	2,724
3 to 6 months past due	**257**	2
Trade debtors and bills receivable, net of allowance for doubtful debts	**95,554**	82,027
Prepayments relating to purchases of raw materials	**50,607**	48,578
Prepayments relating to purchases of fixed assets	**32,224**	25,106
Deferred expenses	**220**	340
Other receivables	**6,823**	5,934
	185,428	161,985

Trade debtors and bills receivable are due within 1 to 6 months from the date of billing.

11 Pledged bank deposits

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Guarantee deposits for issuance of commercial bills and bank acceptance	**18,366**	1,656
Guarantee deposits for bank loans	**110,881**	180,972
	129,247	182,628

12 Cash and cash equivalents

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Bank deposits	**110,305**	136,532
Cash in hand	**50**	22
	110,355	136,554

13 Trade and other payables

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Due within 3 months or on demand	**82,119**	45,851
Due after 3 months but within 6 months	**2,731**	1,191
Due after 6 months but within 12 months	**2,899**	2,168
Trade creditors and bills payable	**87,749**	49,210
Payables relating to purchases of fixed assets	**25,226**	3,004
Accrued charges	**12,236**	12,804
Receipts in advance	**11,069**	13,599
Dividends payable	**5,000**	-
Taxes payable other than income tax	**1,325**	5,319
Other payables	**15,509**	4,310
	158,114	88,246

14 Commitments

As at 30 June 2013, the Group had capital commitments in respect of property, plant and equipment not provided for in the condensed consolidated interim financial statements as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Contracted for	**109,196**	9,300

15 Material related party transactions

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Short-term employee benefits	**614**	585
Post-employment benefits	**16**	15
	630	600

By order of the Board
Silverman Holdings Limited

LIU Dong
Chairman

Shandong, the PRC
16 August 2013