2014 ANNUAL REPORT

銀仕來

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

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CORPORATE INFORMATION

Executive Directors

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

Independent non-executive Directors

Mr. ZHU Ping
Mr. LAM Kai Yeung
Mr. CHANG Tao

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)*
Mr. ZHU Ping
Mr. CHANG Tao

Remuneration committee

Mr. ZHU Ping *(Chairman)*
Mr. LIU Dong
Mr. CHANG Tao

Nomination committee

Mr. CHANG Tao *(Chairman)*
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

18th Floor, Tesbury Centre,
28 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
Level 22, Hopewell Centre,
183 Queen's Road East,
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

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to present on behalf of the board of directors (the "Board" or "Board of Directors") of Silverman Holdings Limited ("Silverman" or the "Company") the audited consolidated results of the Company together with its subsidiaries (collectively, the "Group") for the year ended 31 December 2014 (the "Year" or "Period under Review").

In 2014, the amount of China's export was RMB14,390 billion, representing an increase of approximately 4.9% as compared to the previous year. Among them, the amount of textile and apparel exports was USD298.49 billion, representing an increase of approximately 5.1% as compared to that of the previous year. Among them, exports of cotton woven fabrics decreased by approximately 5.7%, although exports of fabrics increased by approximately 4.9% which was mainly from the Association of Southeast Asian Nations (ASEAN), Africa and Oceania with a year-on-year growth of approximately 10.48%, 11.03% and 21.29% respectively and only an increase of approximately 1% in respect of the export to America and Europe. The data of export area and structure reflected a relatively slow recovery in the high-end fabrics market under the impacts from economic environment and cotton price. Affected by this, despite the positive factors of the cancellation of cotton purchasing and storage policy and the adjustment of high collection and low deduction policy (「高征低扣政策」) for input and output tax in 2014, the sluggish trend of the textile industry has not been improved and China's textile enterprises are still under great pressure.

During the Period under Review, the Group's main business revenue was approximately RMB759.8 million, representing a decrease of approximately 1.9% as compared with approximately RMB774.6 million in the previous year. The decrease was mainly due to the decline of the product selling price. Profit attributable to equity shareholders of the Company was approximately RMB7.6 million, representing a decrease of approximately 64.6% as compared with approximately RMB21.6 million in the previous year. The decrease in profit was mainly due to the drop in the average selling price of the textile products of the Group caused by the decline in the international and domestic economy, the increase of administrative expenses and the decrease in the foreign exchange gains.

In 2014, facing continuous and complex economy and industry situation, the Group still insisted on taking the initiative, based on our own characteristics, to further dig and make full use of the advantages of differential positioning and the development of new materials and new fiber fabric as well as the energy-saving and cost-reducing to ensure the normal operation of the Company.

In 2014, the Group has achieved remarkable results in the aspect of internal control. The Group's absolute fabric production efficiency created a record and exceeded 90% with an increase in production volume by nearly 10%. The Group also achieved the annual operating rate of 100%, the order rate of 98% and the production and sales rate of 103%. According to estimation, millions of controllable costs can be saved through a number of measures like energy-saving, technological improvement and consumption reduction during the year. Meanwhile, the project of "New Spinning Project of 100,000 Spindle" ("10 萬紗錠新型紡紗設備項目") invested with the listing proceeds of the Company has reached full production in 2014 which will be undoubtedly beneficial to improve the profitability of the Company. Although these factors have a positive impact on the gross profit margin of the Group in 2014, the profitability of the Group still had a larger degree of decline due to the impact of the increase in administrative expenses and the decrease in foreign exchange gains.

In 2014, the Group was once again ranked the 6th in "2013-2014 China Top 20 Enterprises of Cotton Textile Industry Competitiveness" (「2013-2014 年度中國棉紡織行業競爭力 20 強企業」) and was awarded "2014 China Textile Industry Association Product Development Contribution Award" (「2014 年度中國紡織工業聯合會產品開發貢獻獎」).

In a market economy model, the industry's cyclical fluctuations should belong to a normal phenomenon, but compared with the previous industry fluctuations, the downturn in textile industry has the characteristics of long cycle and large range. Looking into the future, the problem of high collection and low deduction policy (「高征低扣政策」) for input and output tax has been resolved by most of the cotton spinning production provinces in 2014. On 31 December 2014, part of the textile export rebate rate was raised from 16% to 17%, which will benefit 95% of the textile enterprises. Although the intensity and the impact of these policies on the industry remain to be seen, it has reflected the trend of the gradually optimized survival environment of China's textile enterprises.

The management of the Company and I will, apart from paying close attention to global economy and changes in industry environment, continue to focus on the construction of the core competence in order to ensure the achievement of sustainable development of the company and maximize the interests of shareholders. On behalf of the Board, I hereby also would like to express my sincere thanks to all the shareholders, customers and staff for their continuous support and contributions.

By order of the Board
Silverman Holdings Limited

LIU Dong
Chairman

Shandong, the PRC
27 March 2015

FINANCIAL SUMMARY

	Year ended 31 December				
in RMB'000	**2014**	2013	2012	2011	2010
RESULTS					
Turnover	**759,800**	774,577	871,395	927,774	773,767
Profit before taxation	**8,602**	32,122	91,144	187,886	131,756
Income tax	**968**	10,551	17,110	25,760	26,197
Profit for the year	**7,634**	21,571	74,034	162,126	105,559

	As at 31 December				
in RMB'000	**2014**	2013	2012	2011	2010
ASSETS AND LIABILITIES					
Total assets	**1,024,446**	1,028,050	1,039,920	959,769	1,034,522
Total liabilities	**423,012**	426,650	455,091	701,666	938,613
Net assets	**601,434**	601,400	584,829	258,103	95,909

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2014, despite the positive factors of the cancellation of cotton purchasing and storage policy and the adjustment of high collection and low deduction policy (「高征低扣政策」) for input and output tax, the sluggish trend of the textile industry has not been improved and China's textile enterprises are still under great pressure.

In 2014, the amount of China's export was RMB14,390 billion, representing an increase of approximately 4.9% as compared to the previous year. Among them, the amount of textile and apparel exports was USD298.49 billion, representing an increase of approximately 5.1% as compared to that of the previous year. Among them, exports of cotton woven fabrics decreased by approximately 5.7%, although exports of fabrics increased by approximately 4.9% which was mainly from the Association of Southeast Asian Nations (ASEAN), Africa and Oceania with a year-on-year growth of approximately 10.48%, 11.03% and 21.29% respectively and only an increase of approximately 1% in respect of the export to America and Europe. The data of export area and structure reflected a relatively slow recovery in the high-end fabrics market under the impacts from economic environment and cotton price.

On 5 April 2014, China announced the cessation of cotton purchasing and storage policy and the price difference between domestic and overseas cotton had decreased from the highest amount of RMB6,100/ton (representing the price difference between the international price after 1% tariff discounts and the domestic price of 3128B cotton) at the end of 2013 to approximately RMB2,800/ton recently. Affected by this, despite the fluctuation during the middle of 2014, the domestic cotton price has been decreased from RMB19,530/ton at the beginning of 2014 to RMB13,500/ton at the end of 2014, representing a decrease of approximately 31%. In the long run, although the cancellation of cotton purchasing and storage policy will be in favor of the marketization of domestic cotton price and the return of reasonable cotton price, which will gradually promote the narrowing of price difference between domestic and overseas cotton, and improve export capacity and international competitiveness of China's textile enterprises, the fluctuation and the drop of cotton prices have led to the subsequent price decline in fabrics processing and production, and also increased the wait-and-see atmosphere of China's textile enterprises.

In addition, the problem of high collection and low deduction policy (「高征低扣政策」) for input and output tax has been resolved by most of the cotton spinning production provinces in 2014. On 31 December 2014, part of the textile export rebate rate was raised from 16% to 17%, which will benefit 95% of the textile enterprises. Although the intensity and the impact of these policies on the industry remain to be seen, it has reflected the trend of the gradually optimized survival environment of China's textile enterprises.

BUSINESS REVIEW

In 2014, facing continuous and complex economy and industry situation, the Group still insisted on taking the initiative, based on our own characteristics, to further dig and make full use of the advantages of differential positioning and the development of new materials and new fiber fabric as well as the energy-saving and cost-reducing to ensure the normal operation of the Company.

In 2014, the Group has achieved remarkable results in the aspect of internal control. The Group's absolute fabric production efficiency created a record and exceeded 90% with an increase in production volume by nearly 10%. The Group also achieved the annual operating rate of 100%, the order rate of 98% and the production and sales rate of 103%. According to estimation, millions of controllable costs can be saved through a number of measures like energy-saving, technological improvement and consumption reduction during the year. Meanwhile, the project of "New Spinning Project of 100,000 Spindle" ("10 萬紗錠新型紡紗設備項目") invested with the listing proceeds of the Company has reached full production in 2014 which will be undoubtedly beneficial to improve the profitability of the Company. Although these factors have a positive impact on the gross profit margin of the Group in 2014, the profitability of the Group still had a larger degree of decline due to the impact of the increase in administrative expenses and the decrease in foreign exchange gains.

During the Period under Review, the Group's main business revenue was approximately RMB759.8 million, representing a decrease of approximately 1.9% as compared with approximately RMB774.6 million in the previous year. The decrease was mainly due to the decline of the product selling price. Profit attributable to equity shareholders of the Company was approximately RMB7.6 million, representing a decrease of approximately 64.6% as compared with approximately RMB21.6 million in the previous year. The decrease in profit was mainly due to the drop in the average selling price of the textile products of the Group caused by the decline in the international and domestic economy, the increase of administrative expenses and the decrease in the foreign exchange gains.

The obvious differentiation in the management and control, and the operating indicators of the Group, fully reflects the severe operating situation and market environment in the textile enterprises.

In 2014, the Group was once again ranked the 6th in "2013-2014 China Top 20 Enterprises of Cotton Textile Industry Competitiveness" (「2013-2014 年度中國棉紡織行業競爭力 20 強企業」) and was awarded "2014 China Textile Industry Association Product Development Contribution Award" (「2014 年度中國紡織工業聯合會產品開發貢獻獎」).

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 two years ended 31 December 2014 and 2013:

	For the year ended 31 December					
	2014			2013		
Product	**Turnover RMB'000**	**Gross profit RMB'000**	**Gross profit margin %**	Turnover RMB'000	Gross Profit RMB'000	Gross profit margin %
Jacquard grey fabrics	**200,670**	**39,235**	**19.6%**	210,652	28,993	13.8%
Dobby grey fabrics	**528,908**	**62,613**	**11.8%**	526,771	60,042	11.4%
Processing service income	**23,382**	**526**	**2.2%**	24,842	2,386	9.6%
Others	**6,840**	**636**	**9.3%**	12,312	1,804	14.7%
Total	**759,800**	**103,010**	**13.6%**	774,577	93,225	12.0%

The gross profit margin of the Group increased by approximately 1.6 percentage points, from approximately 12.0% for the year 2013 to approximately 13.6% for the year 2014. The increase of the major products gross profit margins and the overall gross profit margin were mainly due to the decrease in costs as the material costs were decreased. In addition to the costs control, the Group developed new and special products according to the market demand, will further optimize the product mix and implement flexible and effective marketing strategy in order to maximize the Group's gross profit margin.

Other net gains

Other net gains and losses mainly included net (loss) / gain on sale of scrap material, net gain on disposal of property, plant and equipment, government grants and others. The total amount of other net gains for the Period under Review substantially decreased by approximately RMB2.0 million to approximately RMB3.8 million as compared to approximately RMB5.8 million in the previous year.

Distribution costs

The total distribution costs of the Group were flat as compared with last year by approximately RMB13.4 million for the year ended 31 December 2014.

Administrative expenses

For the year ended 31 December 2014, the administrative expenses of the Group was approximately RMB65.2 million, representing an increase of approximately 22% when compared to that of approximately RMB53.7 million in 2013. The increase was mainly due to the increase in research and development expenses and provision for bad debts.

Net finance costs

During the year ended 31 December 2014, the net finance cost of the Group were approximately RMB19.8 million, this is due to the increase in finance cost and the decrease of finance income, as compared to that in 2013. For the year ended 31 December 2014, the finance cost of the Group was approximately RMB21.6 million, representing an increase of approximately RMB1.7 million as compared to approximately RMB19.9 million in 2013. It was mainly due to the increase in interest expenses resulted from the increase in bank loans. The finance income was approximately RMB1.8 million, representing a decrease of approximately RMB18.3 million as compared to approximately RMB20.1 million in 2013, which was mainly resulted from the decrease in the net exchange gains resulted from the repayment of foreign currency loans in 2014.

Taxation

Taxation of the Group was decreased by approximately 90.8% from approximately RMB10.6 million in 2013 to approximately RMB1.0 million during the Period under Review. This was mainly due to the decrease in taxable profit.

Profit attributable to the equity shareholders of the Company

For the year ended 31 December 2014, the profit attributable to the equity shareholders of the Company was approximately RMB7.6 million, representing a decrease of approximately 64.6%, from approximately RMB21.5 million in 2013. The decrease was mainly due to the increase of administrative expenses (research and development expenses and provision for bad debts) and the decrease of net exchange gains. Based on the aforementioned factors, the gross profit margin for the year ended 31 December 2014 increased to approximately 13.6%, or by 1.6 percentage points, from that of approximately 12.0% in 2013. As a consequence, the gross profit increased by approximately 10.5%, or approximately RMB9.8 million, to approximately RMB103 million for the year ended 31 December 2014 from approximately RMB93.2 million in the previous year.

Liquidity and financial resources

As at 31 December 2014, cash and cash equivalents of the Group were approximately RMB122.4 million, representing an increase of approximately 19.5% from approximately RMB102.4 million as at 31 December 2013. The increase was mainly due to the faster trade debtor collection and the increase of loans of the Company.

For the year ended 31 December 2014, the Group's net cash generated from operating activities was approximately RMB89.3 million (2013: approximately RMB92.4 million), net cash used in investing activities was approximately RMB60.2 million (2013: net cash generated from investing activities was approximately RMB46.3 million) and net cash used in financing activities was approximately RMB9.1 million (2013: approximately RMB172.8 million). Cash and cash equivalents of the Group increased by approximately RMB20.0 million (2013: decreased by approximately RMB34.2 million) during the Period under Review. 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, who have set up long-term business relationship with us and have well settlement history and sound reputation, 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 year ended 31 December 2014, the average trade receivables (including bills receivable) turnover period of the Group was approximately 40 days, down from 43 days for the year ended 31 December 2013. The decrease was mainly due to the increase of intensity in payment collection of the Group.

For the year ended 31 December 2014, inventory turnover period of the Group decreased to 81 days from 86 days in the previous year. This was mainly because of the decrease of inventory level of finished goods. In particular, the finished goods decreased to approximately RMB39.5 million as at 31 December 2014 from approximately RMB65.9 million as at 31 December 2013.

As at 31 December 2014, the Group's borrowings (including obligations under finance lease) of approximately RMB241.2 million (2013: approximately RMB267.7 million) bore fixed interest at rates ranging from 4.6% to 7.1% (2013: 4.5% to 7.1%) per annum. As at 31 December 2014, the Group's borrowings of approximately RMB66.5 million (2013: approximately RMB20 million) bore floating interest at rate 6.0% per annum (2013: 6.0%).

Trade and bill receivables

Trade and bill receivables were approximately RMB79.1 million as at 31 December 2014 (approximately RMB91.2 million as at 31 December 2013). The decrease was mainly due to the increase of intensity in payment collection of the Group.

Earnings per share

Calculating based on the weighted average of 800,000,000 shares in issue, basic earnings per share of the Company were approximately RMB0.01 for the year ended 31 December 2014 (2013: approximately RMB0.03).

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Period under Review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Capital structure

The Group continues to maintain an appropriate mix of equity and debt to ensure an efficient capital structure to reduce capital cost. For the year ended 31 December 2014, the debts of the Group were mainly represented by bank borrowings and obligations under finance leases with a total amount of approximately RMB307.7 million (2013: approximately RMB287.7 million). As at 31 December 2014, cash and cash equivalents were approximately RMB122.4 million (2013: approximately RMB102.4 million). As at 31 December 2014, the gearing ratio was approximately 30.8% (2013: approximately 30.8%), 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 31 December 2014, the debts of the Group that will become due within a year was approximately RMB276.4 million (2013: RMB246.6 million).

As at 31 December 2014, the Group's cash and cash equivalents were mainly held in Renminbi, Japanese Yen, US dollars, HK dollars and Euro, of which, approximately RMB110.5 million (2013: RMB87.9 million) or 90.3% (2013: 85.8%) of the cash and cash equivalents were held in Renminbi.

Capital commitments

Save as disclosed in notes 25, the Group did not have any other significant capital commitments as at 31 December 2014 (2013: Nil).

Employee and remuneration policy

As at 31 December 2014, the Group had a total of approximately 2,941 employees (2013: 2,910), the increase in the number of staff as compared to that of the previous year was mainly because the Group recruited more employees for its expanded spinning production line in 2014.

For the year ended 31 December 2014, labour costs of the Group (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB121.2 million (2013: approximately RMB115.2 million). The increase of labour costs was mainly because the Group recruited more employees for its expanded spinning production line in 2014.

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. In 2015, the Group will continue to provide training to staff members according to their respective skill requirements, such as training sessions on safety and skill.

Exposure to foreign exchange risk

The Group adopted a prudent policy in managing its exchange rate risks. The imports and exports of the Group were settled in US dollars. 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 31 December 2014, the Group did not have any contingent liabilities (2013: Nil).

Charges on assets

Save as the pledged bank deposits as presented in the consolidated statement of financial position, the Group pledged its machinery and equipment with net book value of approximately RMB119.5 million (2013: RMB50.6 million) to banks as securities for the bank borrowings as at 31 December 2014. Besides, machinery and equipment with net book value of approximately RMB69.3 million (2013: RMB76.2 million) were held under finance lease as at 31 December 2014.

Significant investments held

Save as the investments in equity securities presented in the consolidated statement of financial position as at 31 December 2014 and the short term investments presented in the interim consolidated statement of financial position as at 30 June 2014, the Group did not hold any significant investment in equity interest in any company during the year ended 31 December 2014.

Future plans for material investments and capital assets

Save as disclosed in the Prospectus, the Group did not have any other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the year ended 31 December 2014, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Events after the reporting period

No significant event took place before the date of this annual report and subsequent to 31 December 2014.

OUTLOOK

Despite long lasting and complex features of the downturn of cotton textile enterprises since 2008, the downturn is still a relatively normal phenomenon in view of the domestic and international economic situation and the industry fluctuation. Although the textile industry encountered some difficulties, the general trend of the development of China's economy, the improvement of quality of life, the progress of urbanization and the recovery of global economy still shows good prospects for high-end textile products in the long run. Especially with the cancellation of the cotton purchasing and storage policy and the gradual digestion of related remaining issues, although the quota policy still has certain obstacles on cotton import, the stabilization of the price and the gradual narrowing of the price difference will be beneficial to the stabilization of the whole industry.

From the macroeconomic aspects, although it is predicted that China's Gross Domestic Product (GDP) will continue to drop to approximately 7.1% in 2015, the global economy recovery will continue to accelerate with an estimated growth by approximately 3.8%, representing an increase of approximately 0.5% as compared to 2014. Among them, the economic growth of the US will be approximately 3.1%, and the Euro area will be approximately 1.3%, representing an increase of approximately 0.9% and 0.5% respectively as compared to 2014. The indicators of consumer spending and unemployment rate etc. also reflect the trend of economy recovery.

Combined with macro economy, policies, and industrial transformation and upgrading as well as enterprises' own growth factors, experts predict the textile industry is expected to usher in a reversal period in 2015.

For the Group in 2014, the gross profit margin of jacquard fabrics, the Group's major products, substantially increased by approximately 5.8%, reflecting the trend of strong market growth and recovery of this product. Meanwhile, the project of "New Spinning Project of 100,000 Spindle" ("10 萬紗錠新型紡紗設備項目"), after reaching full production, in addition to meeting the requirements for fabrics production of the Group, also exported a small amount of fabrics to Italy market. The full operation of the project, not only provided raw material support of higher quality for the development and production of fabrics production of the Company, but also extended the Company's industrial chain to enhance profitability and will also improve the ability of the Company to face the market flexibly.

In future, the Group will continue to be market-oriented to develop new and differential products which fulfill the market demand in order to always keep the leading position in the market segment. Meanwhile, the Group has also proposed the goal to build a world-class enterprise at the beginning of 2014 and will focus on the enterprise concept, work standards, innovation capability, human and customer resources etc. of the Company by comprehensively learning from international excellent enterprises, further improving the level of lean management and innovation capability, increasing revenue and reducing expenditure, and improving efficiency so as to continuously enhance the profitability and core competitiveness of the Group.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Our Board of Directors is responsible and has general powers for the management and conduct of the business. The Board currently consists of six directors (the "Directors", each a "Director"), including three executive Directors, and three independent non-executive Directors. The following table sets forth information regarding members of the Board during the year ended 31 December 2014 and up to the date of this annual report:

Name	Appointment Date
Executive Directors	
LIU Dong (Chairman)	24 February 2010
LIU Zongjun	26 June 2012
TIAN Chengjie	26 June 2012
Independent non-executive Directors	
ZHU Ping	26 June 2012
LAM Kai Yeung	26 June 2012
CHANG Tao	21 March 2014

DIRECTORS AND SENIOR MANAGEMENT PROFILE (CONTINUED)

Executive Directors

Mr. LIU Dong (劉東), aged 46, is the Chairman, an executive Director of our Company appointed on 24 February 2010, and one of our controlling shareholders. Mr. LIU has been with our Group since the acquisition of the equity interest of Zibo Yinshilai Textile Co., Ltd. (淄博銀仕來紡織有限公司) ("Yinshilai Textile") by Zibo Yinshan Chemical Fiber Co., Ltd. (淄博銀杉化纖有限公司) ("Yinshan Chemical Fiber") in June 2005. Mr. Liu is currently the legal representative and a director of Yinshilai Textile and was firstly appointed to such posts in September 2005. Mr. LIU was appointed as a Director of our Company on 24 February 2010. He is also a director of each subsidiary of our Group (except Zibo Huiyin Textile Co., Ltd. (淄博匯銀紡織有限公司) ("Huiyin Textile")). He is primarily responsible for overall business development, strategic planning and business development of our Group. Mr. LIU has accumulated 15 years of experience in the textile industry in the PRC, which can be traced back to 1996 when he was appointed as the general manager of Zibo Wanjie Fiber Co., Ltd. (淄博萬杰纖維有限公司). Mr. LIU had served as a deputy general manager of Zibo Wanjie Group Co., Ltd. (淄博萬杰集團有限公司), and subsequently as a director and general manager (between December 1998 and December 2001) and the chairman of the board of director (between December 2001 and November 2004) of Shandong Wanjie High-Tech Co. Ltd. (山東萬杰高科技股份有限公司) (''Wanjie High-Tech''). Mr. LIU studied in College of Textile Engineering of Shandong (山東紡織工學院) majoring in management and subsequently obtained a master of business administration degree from the Chinese Academy of Social Science in November 1998.

Mr. LIU was recognized as ''Model Worker of the Textile Industry of the PRC'' (全國紡織工業勞動模範) by the Ministry of Personnel of the PRC (中華人民共和國人事部) and China National Textile and Apparel Council (中國紡織工業協會) in 2006, ''Outstanding Entrepreneur of the Zibo Municipality for the year 2006'' (2006年度淄博市優秀企業家), ''Outstanding Entrepreneur of the Zibo Municipality for the year 2008'' (2008年度淄博市優秀企業家) and ''Outstanding Entrepreneur of the Zibo Municipality for the year 2009'' (2009年度淄博市優秀企業家) by the Zibo Municipal Committee of the Chinese Communist Party (中共淄博市委) and the People's Government of Zibo Municipality (淄博市人民政府) in 2007 and 2010, respectively, ''Star Entrepreneur of the Zibo Municipality for the year 2010'' (2010淄博市明星企業家) by the Zibo Municipal Committee of the Chinese Communist Party (中共淄博市委) and the People's Government of Zibo Municipality (淄博市人民政府) in 2011, ''Outstanding Entrepreneur of the Shandong Province'' (山東省優秀企業家) by Shandong Enterprise Confederation (山東省企業聯合會), Shandong Entrepreneur Association (山東省企業家協會), Shandong Industrial and Economics Confederation (山東省工業經濟聯合會) and Shandong Quality Association (山東省質量協會) in 2011, ''Award for Outstanding Entrepreneurs of the Textile Industry of the Shandong Province'' (山東省紡織企業家創業獎) by the Shandong Textile Industry Office (山東省紡織工業辦公室) and the Shandong Textile Enterprise Management Association (山東紡織企業管理協會) in 2007, one of the ''Twelve Batch of Outstanding Young Entrepreneurs of the Zibo Municipality'' (第十二屆淄博市傑出青年企業家) by the Zibo Municipal Committee of the Communist Youth League (共青團淄博市委), Zibo Municipal Economy and Trade Committee (淄博市經濟貿易委員會), the Zibo Municipal Administration for Industry and Commerce (淄博市工

商行政管理局), the Zibo Municipal Department of Environmental Protection (淄博市環境保護局), the Zibo Municipal Association of Entrepreneur (淄博市企業家協會) and the Zibo Municipal Association of Young Entrepreneur (淄博市青年企業家協會) in 2007, ''Outstanding Persons of the Textile Brand Culture Development of the PRC for the year 2010'' (2010中國紡織品牌文化建設傑出人物) by China National Textile and Apparel Council (中國紡織工業協會) and the Chinese Association for Textile Enterprises Culture Construction (中國紡織企業文化建設協會) in 2010, and ''Boshan Star Entrepreneur for the year 2008'' (2008年度博山區明星企業家), ''Boshan Star Entrepreneur for the year 2010'' (2010年度博山區明星企業家) and ''Boshan Star Enterpreneur for the year 2011'' (2011年度博山區明星企業家) by the Boshan District Committee of the Chinese Communist Party (中共博山區委) and the People's Government of Boshan District (博山區人民政府) in 2009 and 2011, respectively. Mr. LIU is a representative of the Fourteenth People's Congress of Zibo City (淄博市第十四屆人民代表大會).

Mr. LIU Zongjun (劉宗君), aged 44, is an executive Director of our Company appointed on 26 June 2012, and chief executive officer appointed on 1 April 2015. He joined our Group as assistant to the chairman of the board of directors, deputy general manager and manager of the human resources department of Yinshilai Textile since April 2010. Mr. LIU was appointed as a director of Huiyin Textile in March 2012.

Mr. LIU is experienced in administrative management and has accumulated 16 years of experience in the textile industry. Between July 1993 and June 1994, Mr. LIU worked in the Shanghai office of Weifang Economic and Trade Centre (濰坊經濟貿易中心) governed by the Shandong Weifang Municipality Economic Committee (山東濰坊市經濟委員會). Between September 1994 and October 2004, Mr. LIU worked with Wanjie Group Co., Ltd. and held a series of positions including the role of executive in foreign economy and trade department of the Shanghai office, assistant to the general manager of Zibo Wanjie Fiber Co., Ltd. (淄博萬杰纖維有限公司) and assistant to the general manager and human resources manager of Wanjie High-Tech. Between October 2004 and April 2010, Mr. LIU served as general manager of Zibo Tianhao Weaving and Dyeing Co., Ltd(淄博天浩織染有限公司).

Mr. LIU graduated from Shanghai Textile College (上海紡織高等專科學校) in July 1993, majoring in textile material chemical processing. He obtained a Bachelor's degree in Chinese literature from Shandong University of Technology (山東理工大學) in January 2007. He also obtained Executive Master of Business Administration (EMBA) from Donghua University (東華大學) in December 2014.

Mr. TIAN Chengjie (田成杰), aged 46, is an executive Director appointed on 26 June 2012 and secretary to the Board. Mr. Tian has been a deputy general manager of Yinshilai Textile in March 2005. In May 2006, he was also appointed as a deputy general manager and a director of Huiyin Textile. He is primarily responsible for administration, planning and human resources of our Group. Mr. TIAN has accumulated more than 17 years of experience in the textile industry in the PRC. Mr. TIAN had worked with Zibo Wanjie Fiber Co., Ltd. (淄博萬杰纖維有限公司) since December 1993 and held a series of positions including the role of workshop manager, the head of the spinning department, the head of the quality control department, the head of the business administration bureau, and an assistant to the general manager, and subsequently with Zibo Wanjie Group Co., Ltd. (淄博萬杰集團有限公司) serving as the head of the business administration bureau. Between December 1996 and November 2004, Mr. TIAN held a series of positions including the role of director and supervisor of Wanjie High-Tech. Mr TIAN graduated from the College of Textile Engineering of Shandong (山東紡織工學院) in July 1990 majoring in chemical fiber studies and obtained a master of business administration degree from the Guanghua School of Management of the Peking University (北京大學光華管理學院) in May 2004.

Mr. TIAN was awarded the second prize of the ''Modern and Innovative and Excellent Application of Enterprises Management of the Shandong Province Award'' (山東省企業管理現代化創新及優秀應用二等獎) by the Modern and Innovative Contribution of Enterprises Management of the Shandong Province Award Committee (山東省企業管理現代化創新成果評審委員會) in December 2010.

Independent non-executive Directors

Mr. ZHU Ping (朱平), aged 57, is an independent non-executive Director appointed on 26 June 2012. Mr. ZHU obtained a Doctor's degree majoring in textile chemistry and dyeing and finishing engineering from Donghua University (東華大學) (previously known as the China Textile University (中國紡織大學)) in March 1999 and has been doing postdoctoral research in the University of Georgia from January 1999 to January 2000 and the University of California, Davis from January 2002 to June 2002, respectively.

Mr. ZHU is currently holding a number of posts in educational and professional institutions in relation to textile manufacturing. He is currently a distinguished professor under the scheme of ''Chutian Scholar'' (楚天學者) of the Department of Education of the Hubei Province, a distinguished professor under the scheme of ''Sunshine Scholar'' (陽光學者) of the Wuhan Textile University (武漢紡織大學), and a supervisor of Doctor degree of the Huazhong University of Science and Technology (華中科技大學), Jiangnan University (江南大學) and Qingdao University (青島大學) respectively. He is also a committee member of the ''Supervising Committee on Professional Education of Light Chemical Engineering'' (教育部輕化工程專業教學指導委員會) and the "Dyeing Professional Committee of China Textile Engineering Society" (中國紡織工程學會染整專業委員會), and a ''State Council Expert for Special Allowance'' (國務院特殊政府津貼專家). Since March 2008, he has held various posts with the Wuhan Textile University including the dean of the faculty of textile and material and the director of the ''Key Laboratory of the Ministry of Education'' (教育部重點實驗室).

Mr. ZHU was an associate professor and director of the teaching and research office on dyeing and finishing in the College of Textile Engineering of Shandong (山東紡織工學院) between June 1982 and May 1994, a professor, supervisor of master degree and deputy director of the department of chemical engineering of the college of textiles & fashion of the Qingdao University (青島大學) from May 1994 to January 2001, a professor, supervisor of doctor degree and the vice dean of the college of chemistry, chemical engineering and environment of the Qingdao University between June 2002 and March 2008, respectively.

Mr. ZHU was awarded the first prize (in April 2007) and the second prize (in November 2005 and April 2008) of the ''Scientific and Technological Advancement Award of Shandong Province'' (山東省科學技術進步獎), and the third prize (in March 1996) and the second prize (in December 1997) of the ''Scientific and Technological Advancement of Qingdao Municipal Award'' (青島市

科學技術進步獎) by the People's Government of Shandong Province respectively.

Mr. LAM Kai Yeung (林繼陽), aged 45, is an independent non-executive Director appointed on 26 June 2012. Mr. LAM is a fellow of the Association of Chartered Certified Accountants (英國特許公認會計師公會) and a fellow of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) and a Certified Dealmaker (中國併購交易師). Mr. LAM is a standing committee member of China Merges and Acquisition Association (Hong Kong) and Shenzhen Hong M&A Club. Mr. LAM obtained a bachelor degree of accounting from Xiamen University (廈門大學) in July 1990 and a master degree in business administration from Oxford Brookes University in the United Kingdom in July 2010.

Mr. LAM has been an independent non-executive director of Northeast Tiger Pharmaceutical Company Limited (東北虎藥業股份有限公司) (stock code: 8197), a company listed on the Growth Enterprise Market of the Stock Exchange, since 7 August 2008. He has been an independent non-executive director appointed on 16 August 2014 of Highlight China Lot International Limited (高銳中國物聯網國際有限公司) (stock code: 1682). Mr. LAM has been a non-executive director appointed on 19 December 2014 of Ping Shan Tea Group Limited (坪山茶業集團有限公司) (stock code: 0364).

Mr. LAM had also been the company secretary and qualified accountant of Hunan Nonferrous Metals Corporation Limited (湖南有色金屬股份有限公司) (stock code: 2626), a company listed on the Main Board and was the financial controller of one of its associates for the period from July 2006 to August 2013.

Mr. CHANG Tao (常濤), aged 45, is an independent non-executive Director appointed on 21 March 2014. Mr. Chang majored in information management of administration department of Shandong Textile Industrial Institute (山東紡織工學院) (currently known as Qingdao University) and has obtained a bachelor degree in June 1992. Mr. Chang is a Certified Public Accountant and Certified Tax Agent in the PRC. Mr. Chang currently serves as the chief risk officer of Zibo Rongxin Financing Bonding Co., Ltd. (淄博融信融資擔保有限公司). He has commenced his career since July 1992 and has rich experience in financial management. Mr. Chang has been the staff member of the business department and enterprise business department of Bank of China Zibo Branch from July 1992 to December 2000; the Certified Public Accountant and project manager of Shandong Xincheng Accounting Firm Co., Ltd. (山東新誠會計師事務所有限公司), from January 2001 to July 2004; the general manager of Beijing Zhongqixin Accounting Firm Co., Ltd. (北京中齊信會計師事務所有限公司), from August 2004 to December 2010; and the deputy general manager of Shandong Kailai Investment Co., Ltd. (山東開來投資有限公司), from January 2011 to June 2013. Mr. Chang has served as an independent director of Shandong Wanjie High-Tech Co., Ltd. (山東萬傑高科技股份有限公司) (Stock Code: 600223, Shanghai Stock Exchange) during the period between November 2001 and October 2007.

SENIOR MANAGEMENT

Our executive Directors and senior management are responsible for the day-to-day management of our business. The following table sets out certain information concerning our senior management as at this annual report:

Name	Age	Positions within the Company
SUN Hongchun	51	Vice President of Production and Technology
SONG Shuli	39	Chief Financial Officer
GONG Jianpei	53	Chief Designer
SUN Qiaoyun	45	Finance Controller

Ms. SUN Hongchun (孫紅春), aged 51, is our vice president of production and technology. Ms. SUN served as a general manager of Yinshilai Textile since March 2005, primarily responsible for the implementation of enterprise routine management and business plan. Ms. SUN was appointed as a director of Yinshilai Textile in September 2005. Ms. SUN has accumulated 22 years of experience in the textile industry which can be traced back to 1990, including serving as a factory supervisor, head of production technology department of Zibo Wanjie Group Co., Ltd. (淄博萬杰集團有限公司), deputy factory supervisor, deputy general manager of Zibo Wanjie Fiber Co., Ltd. (淄博萬杰纖維有限公司) and general manager of Wanjie Knitting Company (萬杰織造公司). Ms. SUN was recognized as the ''Model Worker of the Textile Industry of the PRC'' (全國紡織工業勞動模範) by the Ministry of Human Resources and Social Security (人力資源和社會保障部) and China Textile and Apparel Council (中國紡織工業協會) in 2010, the ''Outstanding Manager of the Shandong Province for the year 2010'' (二零一零年度山東省優秀經營管理者) by the Shandong Economic and Information Technology Committee (山東省經濟和信息化委員會), the second prize of the ''Modern Innovation and Excellent Application of Enterprises Management of the Shandong Province Award'' (山東省企業管理現代化創新及優秀應用成果二等獎) by the Modern and Innovative Contribution of Enterprises Management of the Shandong Province Award Committee (山東省企業管理現代化創新成果評審委員會) in December 2010, and ''the Honour of Excellent Innovative Leader of the Boshan District'' (博山區優秀創新帶頭人榮譽) by the Peoples's Government of Boshan District (博山區人民政府). Ms. SUN has also participated in a chemical fiber technology development project which was recognized as a ''Spark Program Achievement at the National Level'' (國家級星火計劃科技成果) by the Science and Technology Commission of Shandong Province (山東省科學技術委員會) in December 1993.

Ms. SUN graduated from the College of Textile Engineering of Shandong (山東紡織工學院) with a bachelor degree majoring in textile engineering in June 1990.

Mr. SONG Shuli (宋樹利), aged 39, has been our Chief Financial Officer since July 2011 and is responsible for our Group's financial and accounting functions, and overseeing the financial reporting and accounting functions. Mr. SONG obtained a bachelor degree in laws from the Shandong Normal University (山東師範大學) in December 2009. Mr. SONG was qualified as a certified tax adviser, a qualified property valuer and a qualified accountant in China in September 2005, September 2005 and October 2005, respectively. Mr. SONG worked in a number of professional accounting firms in China prior to joining our Group.

Mr. GONG Jianpei (龔建培), aged 53, joined our Group in August 2011 when he was appointed as our chief designer on a part-time basis. His duties include conducting market research and analysis as to textile products, assisting us in new products design and development, providing training to the staff in our research and development and product design department, and assisting us in the planning of design competition and headhunting. Mr. GONG is experienced in textile fabric design. He was awarded the first-class theses award by the National Textile Design Competition And Theory Seminar (2001全國紡織品設計大賽暨理論研討會) in 2001, a silver prize in the ''Fourth National Interior Design Competition'' (全國第四屆室內設計大賽) by China Interior Decoration Association (中國室內裝飾協會) in 2002, a silver prize for his thesis in the ''Chinese International Household Textile Design Competition'' (中國國際家用紡織品設計大賽) by China Home Textile Association (中國家用紡織品行業協會), The Sub-Council of Textile Industry, CCPIT (中國國際貿易促進委員會紡織行業分會), Messe Frankfurt (HK) Ltd (法蘭克福展覽（香港）有限公司), and The People's Government of Hianing, Zhejiang Province (浙江省海寧市人民政府) in 2003, an award of excellence for his thesis in the Chinese Fashion Colour Association (中國流行色協會) in December 2003, the ''First Prize Teaching Achievement Award'' (教學成就一等獎) by the Nanjing Art Institute (南京藝術學院) in 2004, and the ''Second Prize Achievement Award for Undergraduates Teaching in Jiangsu Province for 2004'' (2004年江蘇省高等教育教學成果獎二等獎) by the Education Department of Jiangsu Province (江蘇省教育廳) in 2005, respectively.

Mr. GONG is currently holding a number of posts in professional institutes in relation to design and textile. He is also a qualified designer of the Designer Chapter of the Chinese Household Textile Association (中國家紡協會設計師分會), a specialist of the Textile & Garment Chamber of Commerce, All-China Association of Industry & Commerce (中華全國工商業聯合會紡織服裝業商會), a councilor of the International Natural Dyeing Association (國際自然染色協會), and a councilor of the Chinese Fashion Colour Association (中國流行色協會).

Ms. SUN Qiaoyun (孫巧雲), aged 45, is our finance controller. Ms. SUN joined our Group as the chief of the accounting and finance department of Yinshilai Textile in November 2004 and was appointed as a director of Yinshilai Textile in March 2006. Ms. SUN has accumulated 21 years of experience in finance and management which can be traced back to 1991 when she served as the manager of the finance department of Zibo Wanjie Fiber Co., Ltd. (淄博萬杰纖維有限公司).

Ms. SUN undertook a part-time course at the Party School of Shandong Provincial Party Committee of China Communist Party (中共山東省委黨校) and obtained a bachelor degree in economic management in December 2004.

As at the date of this annual report, save as disclosed above, each of our Directors and our senior management members has confirmed that he or she has not held any directorship in other listed public companies or major appointments in the past three years.

COMPANY SECRETARY

Ms. CHAN Yin Wah (陳燕華), aged 39, is an associate director of SW Corporate Service Group Limited. She has over 16 years of professional experience in handling corporate secretarial, compliance and share registry matters for listed companies in Hong Kong. She has worked for various international professional firms and listed companies in Hong Kong. Ms. CHAN holds a Bachelor's degree in economics and a master's degree in professional accounting. She is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is also a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

CORPORATE GOVERNANCE REPORT

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.

For the year ended to 31 December 2014, 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 coverage 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 coverage 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 is 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. On 1 April 2015, Mr. Liu Dong resigned from his position as the chief executive officer of the Company, and Mr. Liu Zongjun was appointed as the chief executive officer of the Company. Since 1 April 2015, Code Provisions A.2.1 has been complied with by the Company.

Ms. Zhu Beina resigned as independent non-executive Director on 31 December 2013, and ceased to be the chairman and member of the nomination committee (the "Nomination Committee"), the member of audit committee (the "Audit Committee") and the remuneration committee (the "Remuneration Committee"). Following the resignation of Ms. Zhu, the number of independent non-executive Directors falls below the minimum number as required under Rule 3.10(1) of the Listing Rules, and the number of the Audit Committee members falls below the minimum number as required under Rule 3.21 of the Listing Rules. In addition, the composition of the Remuneration Committee and the Nomination Committee falls below the requirements under Rule 3.25 and code provision A.5.1 of Appendix 14 to the Listing Rules.

On 21 March 2014, the Board appointed Mr. Chang Tao as an independent non-executive Director as well as the chairman and member of the Nomination Committee, a member of each of the Audit Committee and the Remuneration Committee. The Company has complied with the requirements in relation to the number of independent non-executive directors and members of the Audit Committee as required under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules. In addition, the Company has complied with the requirements in relation to the composition of the Remuneration Committee and Nomination Committee as required under Rule 3.25 and Code Provision A.5.1 of Appendix 14 to the Listing Rules.

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 code provision was effective from1 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 transaction 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 year.

The Board of Directors

Composition

The Board currently comprises six Directors, of which Mr. LIU Dong, Mr. LIU Zongjun, and Mr. TIAN Chengjie are executive Directors; and Mr. ZHU Ping, Mr. LIN Jiyang, and Mr. CHANG Tao are independent non-executive Directors. The composition of the Board is as follows:

Executive Directors:
LIU Dong *(Chairman)*
LIU Zongjun
TIAN Chengjie

Independent non-executive Directors:
ZHU Ping
LAM Kai Yeung
CHANG Tao

Mr. CHANG Tao was appointed as independent non-executive Director on 21 March 2014.

The biographical details of each Director are set out in the section "Directors and Senior Management Profile" on pages 15 to 23.

Board meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such regular Board meetings do not involve the way of written resolutions approved by the Board. During the year ended 31 December 2014, four Board meetings were held and the attendance records of individual Directors are set out below:

	Directors' attendance / meetings held for the year ended 31 December 2014			
	Board of Directors	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Executive Directors				
LIU Dong *(Chairman)*	4/4	2/2	2/2	2/2
LIU Zongjun	4/4	2/2	N/A	N/A
TIAN Chengjie	4/4	2/2	N/A	N/A
Independent non-executive Directors				
ZHU Ping	4/4	2/2	2/2	2/2
LAM Kai Yeung	4/4	2/2	N/A	N/A
CHANG Tao	4/4	2/2	2/2	2/2

There are three independent non-executive Directors and they represent over one third of the Board, and one of them, Mr. LAM Kai Yeung has the appropriate professional qualifications.

Appropriate notices are given to all Directors in advance for attending regular and other Board meetings. Meeting agendas and other relevant information are provided to the Directors in advance of Board meetings. All Directors are consulted to include additional matters in the agenda for Board meetings.

Directors have access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed.

Both draft and final versions of the minutes are sent to all Directors for their comment and records. Minutes of Board meetings are kept by the company secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

General meeting

The company will hold the annual general meeting (the "**AGM**") on 26 June 2015.

Responsibilities of the Board and management

The Board is primarily overseeing and managing the Company's affairs, including the responsibilities for the adoption of long-term strategies and appointing and supervising senior management to ensure that the operation of the Group is conducted in accordance with the objective of the Group. The Board is also responsible for determining the Company's corporate governance policies which include: (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (iv) to review the Company's disclosure in the Corporate Governance Report.

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the Company's articles of association as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association). With the new composition of members of the nomination committee, remuneration committee and the audit committee, the independent non-executive Directors will be able to effectively devote their time to perform the duties required by the respective Board committees.

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the executive Directors. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with shareholders, Board membership, delegation of authority and corporate governance.

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group. The financial statements set out on pages 45 to 98 were prepared on the basis set out in note 1 to the Financial Statements. Financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements. The declaration of reporting responsibility issued by the external auditors of the Company on the Company's financial statements is set out in the Independent Auditors' Report on page 43.

There is no non-compliance with rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. Except as disclosed in the section "Directors and Senior Management Profile" above, there is no financial, business, family or other material relationship among members of the Board.

Confirmation of independence

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Continuous professional development

During the year ended 31 December 2014, all Directors, namely, Mr. LIU Dong, Mr. LIU Zongjun, Mr. TIAN Chengjie, Mr. ZHU Ping, Mr. LAM Kai Yeung and Mr. CHANG Tao, have been given relevant guidance materials and attended a training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group. Continuing briefings and professional development to all Directors will be arranged whenever necessary.

All Directors have provided record of training attendance and the Company will continue to arrange and/or fund the training in accordance with paragraph A.6.5 of the Code Provisions.

Independent non-executive Director

All independent non-executive Directors have entered into a letter of appointment with the Company for a specific term of three years, subject to retirement by rotation and re-election.

In accordance with the articles of association of the Company, at each AGM, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the name of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. Such retiring Directors may, being eligible, offer themselves for re-election at the AGM. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Nomination Committee

The Company established the Nomination Committee on 26 June 2012 with written terms of reference in compliance with paragraph A.5.2 of the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; access the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee comprises three members and two of them are independent non-executive Directors, namely Mr. CHANG Tao (being the Chairman), Mr. ZHU Ping and one Executive

Director, namely Mr. LIU Dong.

During the year ended 31 December 2014, two Nomination Committee meetings were held during this period. The Nomination Committee meetings were held on 21 March 2014 and 25 August 2014, inter alia, reviewing the structure, size and composition of the Board and the independence of independent non-executive Directors as well as discussing the matters regarding retirement and re-election of Directors.

When identifying suitable candidates for directorship, the Nomination Committee will carry out the selection process by making reference to the skills, experience, education background, professional knowledge, personal integrity and time commitments of the proposed candidates, and also the Company's needs and other relevant statutory requirements and regulations required for the positions. All candidates must be able to meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules. Qualified candidates will then be recommended to the Board for approval.

Remuneration Committee

The Company established the Remuneration Committee pursuant to a resolution of the Directors passed on 26 June 2012 with written terms of reference in compliance with the Listing Rules. The written terms of reference of the remuneration committee was adopted in compliance with paragraph B.1.2 of the Code Provisions. Its terms of reference are available from the websites of the Company and the Stock Exchange.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group and ensure none of the Directors determine their own remuneration. The emoluments of executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration of the Company's performance and prevailing market conditions. The remuneration policy of independent non-executive Directors is to ensure that the independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. The emoluments of independent non-executive Directors are determined with reference to their skills, experience, knowledge, duties and market trends. The Remuneration Committee consists of three members and two of them are independent non-executive Directors, namely Mr. ZHU Ping (being the Chairman), Mr. CHANG Tao and one executive Director, namely Mr. LIU Dong.

Details of remuneration of Directors are set out in note 7 to the Financial Statements.

During the year ended 31 December 2014, two meetings were held by the Remuneration Committee. The Remuneration Committee meetings were held on 21 March 2014 and 25 August 2014 for, inter alia, reviewing the overall remuneration policy and structure relating to all Directors and senior management of the Group.

The Remuneration Committee has adopted the model that it will review the proposals made by the management on the remuneration of executive Directors and senior management and make recommendation to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

Audit Committee

The Company established the Audit Committee pursuant to a resolution of the Director passed on 26 June 2012 with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraph C.3.3 and C.3.7 of the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange. The Audit Committee reports to the Board and has held regular meetings since its establishment to review and make recommendations to improve the Group's financial reporting process and internal controls.

The primary duties of the Audit Committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting and overseas internal control procedures of the Company. As at the date of this annual report, the Audit Committee consists of three independent non-executive Directors, namely Mr. LAM Kai Yeung (being the Chairman), Mr. ZHU Ping and Mr. CHANG Tao.

During the year, the Audit Committee reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters. The Audit Committee also met with the external auditors and reviewed the draft annual and interim reports of the Company. The Audit Committee was satisfied that the audited consolidated financial statements of the Company were prepared in accordance with applicable accounting standards and presented fairly the financial position and results of the Group for the Year.

During the year ended 31 December 2014, two meetings were held by the Audit Committee and all the members of Audit Committee had attended the meeting.

During the year ended 31 December 2014, the Board has not taken a different view from the Audit Committee on the selection, appointment, resignation or dismissal of external auditors.

Corporate governance functions

The Board developed and reviewed the Company's policies and practices on corporate governance and made recommendations.

Auditor's remuneration

During the Year, the Company engaged KPMG as the external auditors. Apart from providing audit services, KPMG also provided reporting accountant services in connection with the Company's Listing. The fees in respect of audit services provided by KPMG for the year ended 31 December 2014 amounted to approximately RMB0.8 million.

The reporting responsibilities of KPMG are set out in the Independent Auditors' Report on pages 43 and 44.

Company secretary

Ms. CHAN Yin Wah of SW Corporate Services Group Limited, an external service provider, has been engaged by the Company as the company secretary since September 2011, her biographical detail is set out in the section headed "Directors and Senior Management Profiles" in this annual report. Ms. Chan has complied with the requirement under Rule 3.29 of the Listing Rules during the Year. The primary contact person of the Company is Mr. TIAN Chengjie, an executive Director and secretary to the Board of the Company in relation to any corporate secretarial matters.

Internal controls

The Board is responsible for maintaining a sound and effective internal control system in order to safeguard the interests of the shareholders and the assets of the Company against unauthorized use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

The Board has conducted a review of the effectiveness of the Group's internal control system for the year ended 31 December 2014 and will continue to assess the effectiveness of internal controls by considering reviews performed by the Audit Committee and executive management.

Shareholders' rights

The shareholders of the Company may make requisition for the convening of an extraordinary general meeting ("EGM") of the Company in accordance with the procedures set out in the Articles of Association as follows:

(1) Any two or more shareholders, or any one or more shareholders which is a recognised clearing house (or its nominee) holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings, shall have the right, by written notice, to require an EGM to be called by the Directors of the Company for the transaction of any business specified in such requisition.

(2) Such requisition shall be made in writing to the Board or the company secretary of the Company at the following:

Principal place of business of the Company in Hong Kong

Address: 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

Attention: Mr. TIAN Chengjie

Head office of the Company in the PRC

Address: Yinlong Village, Economic Development Zone, Boshan District, Zibo City, Shandong, province, the PRC

Attention: Mr. TIAN Chengjie

(3) The requisition will be verified with the Company's branch share registrars in Hong Kong on the shareholding and upon their confirmation that such requisition is proper and in order, the Board will convene an EGM within 21 days from the date of deposit of the requisition, such EGM to be held within a further 21 days.

(4) If within 21 days of such deposit, the Board fails to proceed to convene such EGM, the requisitionist(s) himself (themselves) may do so in the same manner as that in which meetings may be convened by the Board, such EGM to be held within three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

For matters in relation to the Board, the shareholders can contact the Company at the following:

Address:	Yinlong Village, Economic Development Zone, Boshan District, Zibo City, Shandong, province, the PRC
Email:	tian@ysltex.com
Tel:	(86) 533 7918168
Fax:	(86) 533 4656266
Attention:	Mr. TIAN Chengjie

There is no provision in the Companies Law of the Cayman Islands or in the Articles of Association giving shareholders a right to propose resolutions at a general meeting, shareholders who wishes to propose a resolution must make requisition for the convening of a general meeting in accordance with the procedures set out above.

Investor relations and communication

The Board recognizes the importance of good communications with all shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations. The Company is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company updates its shareholders on its latest business developments and financial performance through its corporate publications including annual reports and public announcements. Extensive information about the Company's activities for the year ended 31 December 2014 has been provided in this annual report. While the AGM provides a valuable forum for direct communication between the Board and its shareholders, the Company also maintains its website (http://www.ysltex.com) to provide an alternative communication channel for the public and its shareholders. All corporate communication and Company's latest updates are available on the Company's website for public's information.

During the year ended 31 December 2014, there has been no significant change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their audited consolidated financial statements of the Group for the year ended 31 December 2014 (the "Financial Statements").

Principal activities

The principal activities of the Company is investment holding and those of the principal subsidiaries of the Company are set out in note 2 to the Financial Statements.

Use of proceeds

As stated in the section headed ''Future Plans and Use of Proceeds'' of the Prospectus, the Company intended to apply part of the net proceeds from the global offering (the "Net IPO Proceeds") for the expansion and upgrade of its production facilities of wide width shuttleless loom and supporting equipment for the purpose of increasing the Group's production capacity of fabric products. The Net IPO Proceeds of approximately HKD140 million (equivalent to approximately RMB112 million), out of which, approximately 66% of the Net IPO Proceeds or approximately HKD92 million (equivalent to approximately RMB74 million) was designated to be used for the above purpose.

Nevertheless, due to the on-going weak market demand of both the international and domestic textile markets, after investigation and analysis conducted by the Group, the Board decided to adjust the use of part of the Net IPO Proceeds, which were originally designated to the above purpose, and apply such part of the Net IPO Proceeds for the acquisition of 100,000 spindles of new type yarn spinning facilities for production of yarns as raw materials of the Group in order to better control the costs and supply of yarns required for existing production. The estimated total purchase price will be approximately RMB200 million. The remaining funds to be required will be financed by the Group's internal resources and bank loans. Relevant details were set out in the announcement of the Company dated 23 January 2013 published on the websites of the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The above mentioned project was launched in November 2012, and now has been in full operation.

Results and appropriations

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Group as at 31 December 2014 are set out in the Financial Statements on pages 45 to 98.

5-year financial summary

A summary of the results and assets and liabilities of the Group for the last 5 financial years ended 31 December 2010 to 2014 is set out on page 6. This summary does not form part of the Financial Statements.

Share capital

Details of movements in share capital of the Company during the Year are set out in note 23 to the Financial Statements.

Share option scheme

The Company's existing Share Option Scheme was approved for adoption pursuant to a written resolution of all of our shareholders passed on 26 June 2012 for the purpose of providing our Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to eligible participants and for such other purposes as the Board approve from time to time.

Subject to the terms of the Share Option Scheme, the Board may, at their absolute discretion, grant or invite any person belonging to any of the following classes to take up options to subscribe for shares: (a) any employee, supplier, service provider, customer, partner or joint-venture partner of the Group (including any director, whether executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Company or any subsidiaries; (b) any person who have contributed or may contribute to the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.

The total number of share which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the total number of shares in issue on 12 July 2012 unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating 10% limit.

Details of the principal terms of the Share Option Scheme are set out in paragraph headed "Share Option Scheme" in section headed "Statutory and General Information" in Appendix VI to the Prospectus. The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 26 June 2012 and remains in force until 25 June 2022. The Company may, by resolution in general meeting or, such date as the Board determined, terminate the Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination.

The exercise price per share of the Company for each option granted shall be determined by the Board in its absolute discretion but in any event shall be at least the higher of:

(1) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer for the grant of option ("Date of Grant") which must be a trading day;

(2) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the Date of Grant; and

(3) the nominal value of the shares on the Date of Grant.

Upon acceptance of the options, the grantee shall pay HKD1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within the date as specified in the offer letter issued by the Company. The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years commencing on the Date of Grant and expiring on the last day of such 10-year period subject to the provisions for early termination as contained in the Share Option Scheme.

The total number of new shares of the Company that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 80,000,000 shares, which represents 10% of the shares in issue of the Company as at the date of this annual report.

The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to each grantee under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approved by its shareholders in accordance with the Listing Rules.

During the year ended 31 December 2014, no options were granted under the Share Option Scheme.

Apart from the aforesaid share option schemes, at no time during the year ended 31 December 2014 was any of the Company and its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such right.

Distributable reserves

The Company was incorporated in the Cayman Islands on 24 February 2010. As at 31 December 2014, the Company had distributable reserves of approximately RMB86.2 million available for distribution to the shareholders.

Major customers and suppliers

Sales to the Group's five largest customers accounted for approximately 34% of the total sales for the year ended 31 December 2014 and sales to the largest customer included therein accounted for approximately 11% thereof. Purchases from the Group's five largest suppliers accounted for approximately 30% of the total purchases for the year ended 31 December 2014 and purchases from the largest supplier included therein accounted for approximately 10% thereof.

To the best knowledge and belief of the Directors, neither the Directors or their associates, nor any shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

Subsidiaries, associated companies and jointly controlled companies

The details of the major subsidiaries, associated companies and jointly controlled companies of the Group are set out in notes 13 and 14 to the Financial Statements.

Fixed assets

During the year ended 31 December 2014, the Group's total capital expenditure amounted to approximately RMB63.5 million (2013: approximately RMB139.3 million) which was used for acquisition of machineries and equipment. The details of the changes in the properties, plant and equipment of the Group and the changes in the investment properties and leasehold land of the Group during the year are set out in note 11 to the Financial Statements.

Borrowings

Particulars of borrowings of the Group as at the balance sheet date are set out in note 20 to the Financial Statements. Save as disclosed in note 18 to the Financial Statement, the Group pledged its machineries and equipment with net book value of approximately RMB119.5 million (2013: approximately RMB50.6 million) to bank as securities for the bank borrowings as at 31 December 2014.

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

The shares of the Company have been listed on the Main Board of the Stock Exchange on the Listing Date. During the year ended 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors and Directors' service contracts

Each of the executive Directors has entered into a letter of appointment with the Company for a term of three years from the Listing Date and shall continue thereafter until terminated by, not less than three months' notice in writing served by either party on the other.

The independent non-executive Directors of Mr. ZHU Ping and Mr. LAM Kai Yeung have entered into a letter of appointment with the Company on 26 June 2012 for a term of three years from the date of listing (12 July 2012) ("the Listing Date"), and the independent non-executive Director of Mr. CHANG Tao has entered into a letter of appointment with the company on 21 March 2014, subject to retirement by rotation and re-election at an AGM and until terminated by not less than three months' notice in writing served by either party on the other.
No Director has a service contract which is not determinable by the Company or any of its subsidiaries within 1 year without payment of compensation, other than statutory compensation.
The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and all of them are considered to be independent.

In accordance with the Company's Articles of Association, one third of the existing Directors shall retire from office, at the forthcoming AGM.

Directors' interests in contracts

Save as disclosed, there was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year 2014 or at any time during the year ended 31 December 2014.

Biographies of Directors and senior management

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Directors and Senior Management Profile" on pages 15 to 23 of this annual report.

Non-competition undertaking by controlling shareholders

Each of the controlling shareholders of the Company has made an annual declaration in respect of their compliance with the terms of non-competition undertaking.

The independent non-executive Directors had reviewed and confirmed that the controlling shareholders of the Company have complied with the non-competition undertaking and the non-competition undertaking has been enforced by the Company in accordance with its terms, and that there was no New Opportunity (as defined in the Prospectus headed "Relationship with Controlling Shareholders – Non-compete undertakings") referred by the controlling shareholders to the Company as provided under the non-competition undertaking.

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

As at 31 December 2014, the Directors and chief executives 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)*	The 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 BVI and the entire issued capital of which is beneficially owned by Mr. LIU Dong, one of the controlling shareholders of the Company and executive Directors.

Save as disclosed above, as at 31 December 2014, none of the Directors and chief executives 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 31 December 2014, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives 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 and the Stock Exchange 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)*	The Company	Beneficial owner	553,609,836 shares (L)	69.20%
Ms. WANG Lingli *(Note 3)*	The Company	Family interest	553,609,836 shares (L)	69.20%
Sunlion Holdings Limited *(Note 4)*	The company	Beneficial owner	46,230,066 shares (L)	5.78%
Mr. YAN Tangfeng *(Note 5)*	The Company	Interest of a Controlled corporation	46,230,066 shares (L)	5.78%
Ms. YANG Chun *(Note 6)*	The Company	Family interest	46,230,066 shares (L)	5.78%

Notes:

1. The letter "L" denotes the long position of the persons/entities (other than the Directors or chief executives of the Company) in the shares of our Company or the relevant Group member.

2. Excel Orient Limited is a company incorporated in the BVI and 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.

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 31 December 2014, the Directors were not aware of any other persons/entities (other than the Directors and chief executives 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 and the Stock Exchange 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.

Connected Transactions

During the year ended 31 December 2014, the Company did not enter into any connected transactions or continuing connected transactions which require the compliance with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A "Connected Transactions" of the Hong Kong Listing Rules.

Competition and conflict of interests

During the year ended 31 December 2014, save as disclosed in the Prospectus of the Company dated 29 June 2012, none of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

Contract of significance of the Company

No contract of significance between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2014.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2014.

Tax relief and exemption

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

Pre-emptive rights

There is no provision for the pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Sufficiency of public float

Based on information that is publicly available to the Company and within the best knowledge and belief of the Directors, the Company has maintained the prescribed public float under the Listing Rules up to the date of this annual report.

Corporate governance report

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 24 to 33 in this annual report.

Final dividend

The Board recommends the payment of a final dividend of RMB0.0095 per share (2013: RMB 0.0095) subject to the approval of shareholders of the Company at the forthcoming annual general meeting ("AGM").

The Company proposes to pay the dividend on Friday, 24 July 2015 to the registered shareholders appear in the register of members of the Company on Wednesday, 8 July 2015. Dividends are declared in RMB and will be paid in Hong Kong dollars based on the official exchange rate of RMB against Hong Kong Dollars as quoted by the People's Bank of China on 8 July 2015 before payment.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 23 June 2015 to Friday, 26 June 2015, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 22 June 2015.

On the assumption that the resolution for declaring the final dividend is duly passed at the AGM, the register of members of the Company will be closed from 3 July 2015 (Friday) to 8 July 2015 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for entitlement to the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 2 July 2015 (Thursday).

Annual general meeting

The AGM will be held on 26 June 2015 (Friday). Shareholders should refer to details regarding the AGM in the circular of the Company to be despatched in April 2015 and the notice of the AGM and form of proxy accompanying thereto.

By order of the Board
Silverman Holdings Limited

LIU Dong
Chairman

Shandong Province, the PRC
27 March 2015

INDEPENDENT AUDITOR'S REPORT

Silverman Holdings Limited
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Silverman Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 45 to 98, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 80 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

27 March 2015

Silverman Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2014
(Expressed in Renminbi Yuan)

	Note	2014 RMB'000	2013 RMB'000
Turnover	3	**759,800**	774,577
Cost of sales		**(656,790)**	(681,352)
Gross profit		**103,010**	93,225
Other revenue	4	**240**	-
Other net income	4	**3,799**	5,762
Distribution costs		**(13,409)**	(13,395)
Administrative expenses		**(65,240)**	(53,657)
Profit from operations		**28,400**	31,935
Finance income	5(a)	**1,757**	20,075
Finance costs	5(a)	**(21,555)**	(19,888)
Profit before taxation	5	**8,602**	32,122
Income tax	6	**(968)**	(10,551)
Profit and total comprehensive income for the year		**7,634**	21,571
Profit and total comprehensive income attributable to equity shareholders of the Company		**7,634**	21,571
Earnings per share			
Basic and diluted	10	**RMB0.0095**	RMB0.0270

The notes on pages 52 to 98 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 23.

Silverman Holdings Limited
Consolidated statement of financial position
at 31 December 2014
(Expressed in Renminbi Yuan)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Fixed assets	11		
- Property, plant and equipment		**530,229**	537,702
- Interests in leasehold land under operating leases		**51,977**	48,375
		582,206	586,077
Intangible assets		**79**	12
Goodwill	12	**6,394**	6,394
Investments in equity securities	14	**1,000**	1,000
Deferred expenses	16	**3,341**	3,103
Deferred tax assets	22	**1,014**	-
		594,034	596,586
Current assets			
Inventories	15	**132,377**	163,163
Trade and other receivables	16	**159,708**	156,100
Pledged bank deposits	17	**15,971**	9,826
Cash and cash equivalents	18	**122,356**	102,375
		430,412	431,464
Current liabilities			
Trade and other payables	19	**109,999**	133,165
Bank loans	20	**258,000**	224,000
Obligations under finance leases	21	**18,369**	22,565
Current taxation	22	**4,570**	4,987
		390,938	384,717
Net current assets		**39,474**	46,747
Total assets less current liabilities		**633,508**	643,333

The notes on pages 52 to 98 form part of these financial statements.

Silverman Holdings Limited
Consolidated statement of financial position (continued)
at 31 December 2014
(Expressed in Renminbi Yuan)

	Note	***2014***	*2013*
		RMB'000	*RMB'000*
Non-current liabilities			
Bank loans	*20*	**8,500**	-
Obligations under finance leases	*21*	**22,814**	41,183
Deferred tax liabilities	*22*	**760**	750
		32,074	41,933
Net assets		**601,434**	601,400
Capital and reserves			
Share capital	*23*	**50,577**	50,577
Reserves	*23*	**550,857**	550,823
Total equity		**601,434**	601,400

Approved and authorised for issue by the board of directors on 27 March 2015.

Liu Dong)
) Directors
Tian Chengjie)

The notes on pages 52 to 98 form part of these financial statements.

Silverman Holdings Limited
Statement of financial position
at 31 December 2014
(Expressed in Renminbi Yuan)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Investment in subsidiaries	13	**-**	-
Current assets			
Other receivables	16	**282,258**	279,426
Cash and cash equivalents	18	**1,457**	5,385
		283,715	284,811
Current liabilities			
Other payables	19	**235**	1,633
Net current assets		**283,480**	283,178
Net assets		**283,480**	283,178
Capital and reserves			
Share capital	23	**50,577**	50,577
Reserves	23	**232,903**	232,601
Total equity		**283,480**	283,178

Approved and authorised for issue by the board of directors on 27 March 2015.

Liu Dong)
) Directors
Tian Chengjie)

The notes on pages 52 to 98 form part of these financial statements.

Silverman Holdings Limited
Consolidated statement of changes in equity
for the year ended 31 December 2014
(Expressed in Renminbi Yuan)

	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 2013	50,577	74,447	(909)	52,699	119,359	288,656	584,829
Change in equity for 2013:							
Profit and total comprehensive income for the year	-	-	-	-	-	21,571	21,571
Dividends approved in respect of the previous year	-	-	-	-	-	(5,000)	(5,000)
Appropriations to statutory reserve	-	-	-	2,609	-	(2,609)	-
Balance at 31 December 2013 and 1 January 2014	50,577	74,447	(909)	55,308	119,359	302,618	601,400
Change in equity for 2014:							
Profit and total comprehensive income for the year	-	-	-	-	-	7,634	7,634
Dividends approved in respect of the previous year	-	-	-	-	-	(7,600)	(7,600)
Appropriations to statutory reserve	-	-	-	1,185	-	(1,185)	-
Balance at 31 December 2014	**50,577**	**74,447**	**(909)**	**56,493**	**119,359**	**301,467**	**601,434**

The notes on pages 52 to 98 form part of these financial statements.

Silverman Holdings Limited
Consolidated cash flow statement
for the year ended 31 December 2014
(Expressed in Renminbi Yuan)

	Note	***2014*** ***RMB'000***	*2013* *RMB'000*
Operating activities			
Profit before taxation		**8,602**	32,122
Adjustments for			
Depreciation	*5(c)*	**66,122**	64,895
Amortisation	*5(c)*	**1,108**	1,028
Impairment losses on trade receivables	*5(c)*	**3,755**	159
Reversal of impairment losses on other receivables	*5(c)*	**(1,500)**	(1,000)
Interest income	*5(a)*	**(1,170)**	(3,978)
Gains on sales of short-term investment		**(170)**	-
Finance costs	*5(a)*	**19,367**	17,817
Dividend income from unlisted shares	*4*	**(240)**	-
Net gain on sale of property, plant and equipment	*4*	**(495)**	(56)
		95,379	110,987
Changes in working capital			
Decrease/(increase) in inventories		**30,786**	(397)
Increase in trade and other receivables		**(11,554)**	(11,846)
(Decrease)/increase in trade and other payables		**(16,824)**	13,575
Increase in guarantee deposits for issuance of commercial bills and bank acceptance		**(6,145)**	(8,170)
Cash generated from operations		**91,642**	104,149
Income tax paid	*22*	**(2,389)**	(11,755)
Net cash generated from operating activities		**89,253**	92,394

The notes on pages 52 to 98 form part of these financial statements.

Silverman Holdings Limited
Consolidated cash flow statement (continued)
for the year ended 31 December 2014
(Expressed in Renminbi Yuan)

	Note	***2014 RMB'000***	*2013 RMB'000*
Investing activities			
Capital expenditures		**(63,545)**	(139,267)
Repayment of advance to an entity		**1,500**	500
Proceeds from disposal of property, plant and equipment		**278**	85
Decrease in guarantee deposits for bank loans		**-**	180,972
Payment for purchase of short-term Investments		**(20,000)**	-
Proceeds from sales of short-term Investments		**20,170**	-
Interest received		**1,170**	3,978
Dividend income from unlisted shares	*4*	**240**	-
Net cash (used in)/generated from investing activities		**(60,187)**	46,268
Financing activities			
Proceeds from bank and other loans		**298,947**	345,570
Repayment of bank and other loans		**(281,065)**	(495,594)
Borrowing costs paid		**(19,367)**	(17,817)
Dividends paid to equity holders	*23*	**(7,600)**	(5,000)
Net cash used in financing activities		**(9,085)**	(172,841)
Net increase/(decrease) in cash and cash equivalents		**19,981**	(34,179)
Cash and cash equivalents at 1 January	*18*	**102,375**	136,554
Cash and cash equivalents at 31 December	*18*	**122,356**	102,375

The notes on pages 52 to 98 form part of these financial statements.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group").

The financial statements are presented in Renminbi ("RMB") (the "presentation currency"), rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs and one new Interpretation 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 IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended IFRSs are discussed below:

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to IAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

1 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

Amendments to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The Group early adopted the amendments in the annual financial statements for the year ended 31 December 2013.

Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

IFRIC 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. 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 equity in a subsidiary not attributable directly or indirectly to the company, 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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

1 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests (continued)

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 profit or loss and the consolidated statement of profit or loss and other 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. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(m) or (n) depending on the nature of the liability.

Changes 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 consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture .

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)).

(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(j)).

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.

1 Significant accounting policies (continued)

(f) Other investments in equity securities

The Group's and the Company'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(s).

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(j)).

Investments in securities which do not fall into any of the above categories are classified 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. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(j)). Dividend income from equity securities are recognised in profit or loss in accordance with the policy set out in notes 1(s).

When the investments are derecognised or impaired (see note 1(j)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) 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(j)).

1 Significant accounting policies (continued)

(g) Property, plant and equipment (continued)

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, 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(u)).

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. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

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.

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(j)). 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(u)).

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

1 Significant accounting policies (continued)

(h) 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 labor, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(u)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(j)). 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(j)). 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.

(i) 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.

1 Significant accounting policies (continued)

(i) Leased assets (continued)

(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(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(j). 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.

(j) Impairment of assets

(i) Impairment of investments in equity securities and receivables

Investments in equity securities and 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.

1 Significant accounting policies (continued)

(j) Impairment of assets (continued)

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

- 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.

1 Significant accounting policies (continued)

(j) Impairment of assets (continued)

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivables 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 receivables 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 period 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;
- pre-paid interests in leasehold land classified as being held under an operating lease;
- 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).

1 Significant accounting policies (continued)

(j) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– 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.

(k) 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.

1 Significant accounting policies (continued)

(l) 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(j)), 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.

(m) 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.

(n) 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(r), 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.

(o) 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.

(p) 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.

1 Significant accounting policies (continued)

(q) 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.

1 Significant accounting policies (continued)

(q) Income tax (continued)

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.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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.

(r) 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.

1 Significant accounting policies (continued)

(r) Financial guarantees issued, provisions and contingent liabilities (continued)

(i) Financial guarantees issued (continued)

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(r) (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.

(s) 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.

1 Significant accounting policies (continued)

(s) Revenue recognition (continued)

(iii) 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.

(iv) Interest income

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

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(t) 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 end of the reporting period. 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

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.

1 Significant accounting policies (continued)

(t) Translation of foreign currencies (continued)

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.

(u) 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.

(v) 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.

1 Significant accounting policies (continued)

(v) Related parties (continued)

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

(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.

(w) Segment reporting

Operating segments, and the amount of each segment item reported in the financial statements, are identified from the financial statements 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 economic 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.

2 Accounting judgement and estimates

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 statements. The significant accounting policies are set out in Note 1. Key sources of estimation uncertainty in the preparation of the financial statements are as follows:

2 Accounting judgement and estimates (continued)

(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 requires 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 and other 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 ageing 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.

2 Accounting judgement and estimates (continued)

(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.

3 Turnover and segment report

(a) 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 is as follows:

	2014 RMB'000	*2013 RMB'000*
Sales of textile products:		
- Dobby grey fabrics	**528,908**	526,771
- Jacquard grey fabrics	**200,670**	210,652
- Others	**6,840**	12,312
	736,418	749,735
Processing services income	**23,382**	24,842
	759,800	774,577

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

	2014 RMB'000	*2013 RMB'000*
The PRC	**679,990**	665,930
Overseas	**79,810**	108,647
	759,800	774,577

3 Turnover and segment report (continued)

(a) Turnover (continued)

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue. During the year ended 31 December 2014, revenue from sales of textile products to this customer amounted to approximately RMB83,712,001 (2013: RMB17,138,209).

(b) Segment reporting

No segment information is presented during the year 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 3(a).

4 Other revenue and other net income

	2014	*2013*
	RMB'000	*RMB'000*
Other revenue		
Dividend income from unlisted shares	**240**	-

	2014	*2013*
	RMB'000	*RMB'000*
Other net income		
Net gain on sale of raw materials and scrap materials	**1,543**	2,498
Net gain on disposal of property, plant and equipment	**495**	56
Government grants	**1,119**	3,607
Others	**642**	(399)
	3,799	5,762

5 Profit before taxation

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

(a) Finance income and finance costs

	2014 RMB'000	2013 RMB'000
Finance income		
Interest income on bank deposits	**(1,170)**	(3,978)
Foreign exchange gain arising on settlement or translation of foreign currency monetary items	**(587)**	(16,097)
	(1,757)	(20,075)
Finance costs		
Interest on bank and other borrowings wholly repayable within five years	**14,968**	16,252
Less: interest capitalised into property, plant and equipment*	**-**	(1,427)
Interest expenses	**14,968**	14,825
Finance charges on obligations under finance leases	**3,386**	1,565
Other finance charges	**3,201**	3,498
	21,555	19,888

* The borrowing costs have been capitalised at a rate of 6.06% per annum for the year ended 31 December 2013.

(b) Staff costs

	2014 RMB'000	2013 RMB'000
Salaries, wages and other benefits	**117,701**	112,128
Contributions to defined contribution retirement plan	**3,531**	3,028
	121,232	115,156

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 2014 and 2013. 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.

5 Profit before taxation (continued)

(c) Other items

	2014 *RMB'000*	2013 *RMB'000*
Depreciation	**66,122**	64,895
Amortisation		
- leasehold land	**1,085**	975
- intangible assets	**23**	53
Impairment losses on trade receivables	**3,755**	159
Reversal of impairment losses on other receivables	**(1,500)**	(1,000)
Auditors' remuneration – audit services	**800**	1,000
Cost of inventories	**654,249**	680,912

6 Income tax

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	2014 *RMB'000*	*2013* *RMB'000*
Current tax		
PRC Enterprise Income Tax and PRC dividend withholding tax for the year	**1,972**	10,301
Deferred tax		
Origination and reversal of temporary differences	**(1,004)**	250
	968	10,551

(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 years ended 31 December 2014 and 2013, 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.

6 Income tax (continued)

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents: (continued)

(iii) For the year ended 31 December 2014, the Group's Chinese subsidiaries are subject to income tax rate of 25% (2013: 25%).

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

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

	2014	*2013*
	RMB'000	*RMB'000*
Profit before taxation	**8,602**	32,122
Notional tax on profit before taxation, calculated at the rates applicable to the profits in the jurisdictions concerned	**2,172**	9,956
Effect of tax benefits	**(3,625)**	-
Effect of non-deductible expenses	**1,661**	827
Effect of entities not subject to income tax	**-**	(982)
PRC dividend withholding tax	**760**	750
Income tax expense	**968**	10,551

7 Directors' remuneration

Directors' remuneration disclosed pursuant to section 7 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2014 Total RMB'000
Executive directors					
Liu Dong	**-**	**538**	**-**	**5**	**543**
Liu Zongjun	**-**	**278**	**-**	**9**	**287**
Tian Chengjie	**-**	**240**	**-**	**9**	**249**
Independent Non-executive directors					
Chang Tao[1]	**-**	**37**	**-**	**-**	**37**
Zhu Ping	**-**	**66**	**-**	**-**	**66**
Lam Kaiyeung	**-**	**66**	**-**	**-**	**66**
	-	**1,225**	**-**	**23**	**1,248**

[1] *Appointed on 21 March 2014*

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2013 Total RMB'000
Executive directors					
Liu Dong	-	540	-	5	545
Liu Zongjun	-	282	-	9	291
Tian Chengjie	-	246	-	9	255
Non-executive director					
Yan Tangfeng[1]	-	-	-	-	-
Independent Non-executive directors					
Zhu Beina[2]	-	66	-	-	66
Zhu Ping	-	66	-	-	66
Lam Kaiyeung	-	66	-	-	66
	-	1,266	-	23	1,289

[1] *Resigned on 15 May 2013*
[2] *Resigned on 31 December 2013*

(i) During the years ended 31 December 2014 and 2013, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 8 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 years ended 31 December 2014 and 2013.

(iii) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the years ended 31 December 2014 and 2013.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments three (2013: three) were directors whose remuneration is disclosed in Note 7. The aggregate of the emoluments in respect of the other two (2013: two) individuals are as follows:

	2014 ***RMB'000***	*2013* *RMB'000*
Salaries and other emoluments	**323**	331
Retirement scheme contributions	**10**	10
	333	341

The emoluments of the two (2013: two) individuals with the highest emoluments are within the following band:

	2014 ***Number of individuals***	*2013* *Number of individuals*
HKD Nil to HKD 1,000,000	**2**	2

9 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB302,000 (2013: a loss of RMB9,729,000) which has been dealt with in the financial statements of the Company.

10 Earnings per share

The calculation of basic and diluted earnings per share for the year ended 31 December 2014 is based on the profit attributable to equity shareholders of the Company of RMB7,634,000 (2013: RMB21,571,000) and the weighted average of 800,000,000 shares (2013: 800,000,000 shares) in issue during the year.

There was no difference between basic and diluted earnings per share as there were no dilutive potential shares outstanding for the years ended 31 December 2014 and 2013 respectively.

11 Fixed assets

Group

	Buildings RMB'000	*Machinery and equipment RMB'000*	*Office equipment RMB'000*	*Motor vehicles RMB'000*	*Construction in progress RMB'000*	*Sub-total RMB'000*	*Interests in leasehold land under operating leases RMB'000*	*Total RMB'000*
Cost:								
At 1 January 2013	77,900	616,312	9,742	10,638	-	714,592	9,892	724,484
Additions	14	10,761	327	1,735	210,050	222,887	40,561	263,448
Transfer from construction in progress	74,199	96,948	-	-	(171,147)	-	-	-
Disposals	-	-	-	(283)	-	(283)	-	(283)
At 31 December 2013	152,113	724,021	10,069	12,090	38,903	937,196	50,453	987,649
At 1 January 2014	152,113	724,021	10,069	12,090	38,903	937,196	50,453	987,649
Additions	-	27,183	350	1,356	30,083	58,972	4,687	63,659
Transfer from construction in progress	18,812	14,308	-	-	(33,120)	-	-	-
Disposals	-	-	-	(2,842)	-	(2,842)	-	(2,842)
At 31 December 2014	**170,925**	**765,512**	**10,419**	**10,604**	**35,866**	**993,326**	**55,140**	**1,048,466**
Accumulated depreciation and amortisation:								
At 1 January 2013	(16,429)	(303,671)	(8,856)	(5,897)	-	(334,853)	(1,103)	(335,956)
Charge for the year	(4,376)	(58,236)	(846)	(1,437)	-	(64,895)	(975)	(65,870)
Written back on disposals	-	-	-	254	-	254	-	254
At 31 December 2013	(20,805)	(361,907)	(9,702)	(7,080)	-	(399,494)	(2,078)	(401,572)
At 1 January 2014	(20,805)	(361,907)	(9,702)	(7,080)	-	(399,494)	(2,078)	(401,572)
Charge for the year	(7,174)	(56,505)	(661)	(1,782)	-	(66,122)	(1,085)	(67,207)
Written back on disposals	-	-	-	2,519	-	2,519	-	2,519
At 31 December 2014	**(27,979)**	**(418,412)**	**(10,363)**	**(6,343)**	**-**	**(463,097)**	**(3,163)**	**(466,260)**
Net book value:								
At 31 December 2014	**142,946**	**347,100**	**56**	**4,261**	**35,866**	**530,229**	**51,977**	**582,206**
At 31 December 2013	131,308	362,114	367	5,010	38,903	537,702	48,375	586,077

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

	Group	
	2014 RMB'000	*2013 RMB'000*
Properties held in the PRC		
- medium-term leases	**230,789**	218,586
Representing:		
- Buildings	**142,946**	131,308
- Construction in progress	**35,866**	38,903
- Interests in leasehold land held for own use under operating leases	**51,977**	48,375

11 Fixed assets (continued)

(b) Fixed assets with aggregate net book value of RMB119,544,000 (2013: RMB50,633,000) are pledged to secure certain bank loans of the Group totalling as RMB120,000,000 at 31 December 2014 (2013: RMB74,000,000).

(c) As at 31 December 2014, the ownership certificates for buildings and leasehold land with net book value of RMB132,184,000 (2013: RMB116,944,000) have not been obtained.

(d) During the year ended 31 December 2014, the Group leases machinery and equipment under finance leases expiring in 2017. 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 rentals.

During the year ended 31 December 2014, additions to machinery and equipment of the Group financed by new finance leases were RMB nil (2013: RMB76,445,000). At the end of the reporting period, the net book value of machinery and equipment held under finance leases of the Group was RMB69,289,000 (2013: RMB76,170,000).

12 Goodwill

	Group	
	2014	*2013*
	RMB'000	*RMB'000*
Cost:		
At 1 January and 31 December	**6,394**	6,394

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

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 cash flows are discounted using a discount rate of 12% (2013: 10%). The discount rate used is pre-tax and reflects the specific risks relating to the CGU.

13 Investments in subsidiaries

	Company 2014 RMB	Company 2013 RMB
Unlisted shares, at cost	**15**	15

The following is a list of subsidiaries of the Group.

Name of company	*Place of incorporation and operation*	*Particulars of issued and paid up capital*	*Proportion of ownership interest Held by the Company*	*Proportion of ownership interest Held by a subsidiary*	*Principal activities*
Power Fit Ltd.	British Virgin Islands	1 share of USD1 each	100%	-	Investment holding
Swift Power Ltd.	British Virgin Islands	1 share of USD1 each	100%	-	Investment holding
YSL (HK) Ltd.	Hong Kong	1 share of HKD1 each	-	100%	Investment holding
Huiyin (HK) Ltd.	Hong Kong	1share of HKD1 each	-	100%	Investment holding
Zibo Yinshilai Textile Co., Ltd. (淄博銀仕來紡織有限公司) (Note)	PRC	USD17,400,000	-	100%	Manufacturing and sales of textile products
Zibo Huiyin Textile Co., Ltd. (淄博匯銀紡織有限公司) (Note)	PRC	USD15,400,000	-	100%	Manufacturing and sales of textile products
Zibo Yinshilai Textile New Material Technology Co., Ltd. (淄博銀仕來紡織新材料科技有限公司) (Note)	PRC	RMB60,000,000	-	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.

14 Investments in equity securities

	Group 2014 RMB'000	Group 2013 RMB'000
Unlisted, at cost	**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 consolidated statements of financial position.

15 Inventories

Inventories in the consolidated statements of financial position comprise:

	Group	
	2014	2013
	RMB'000	RMB'000
Raw materials	**40,919**	42,559
Work in progress	**50,909**	54,303
Finished goods	**39,537**	65,895
Consumables	**1,012**	406
	132,377	163,163

16 Trade and other receivables

		Group		Company	
		2014	2013	**2014**	2013
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Trade debtors and bills receivables		**82,893**	91,198	-	-
Less: allowance for doubtful debts	*(b)*	**(3,755)**	**-**	-	-
	(a) (c)	**79,138**	91,198	-	-
Deposits, prepayments and Other receivables	*(d)*	**83,911**	68,005	-	-
Amounts due from subsidiaries	*(e)*	**-**	-	**282,258**	279,426
		163,049	159,203	**282,258**	279,426
Deferred expenses expected to be recognised as expense after more than one year	*(d)*	**(3,341)**	(3,103)	-	-
Trade and other receivables expected to be recovered or recognised as expense within one year		**159,708**	156,100	**282,258**	279,426

16 Trade and other receivables (continued)

(a) Ageing analysis

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

	Group	
	2014	*2013*
	RMB'000	*RMB'000*
Current	**76,211**	87,821
Less than 3 months past due	**-**	1,636
3 to 6 months past due	**10**	9
6 to 12 months past due	**2,917**	1,732
Amounts past due	**2,927**	3,377
	79,138	91,198

Trade debtors and bills receivables 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 receivables

Impairment losses in respect of trade debtors and bills receivables 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 receivables directly (see note 1(j)(i)).

The movement in the allowance of doubtful debts during the year is as follows:

	Group		Company	
	2014	*2013*	***2014***	*2013*
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**-**	-	**-**	-
Impairment loss recognised	**(3,755)**	-	**-**	-
At 31 December	**(3,755)**	-	**-**	-

As at 31 December 2014, the Group's trade debtors of RMB3,755,000 (2013: RMB nil) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB3,755,000 (2013: RMB nil) was recognised.

16 Trade and other receivables (continued)

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

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

	Group	
	2014	*2013*
	RMB'000	*RMB'000*
Neither past due nor impaired	**75,861**	87,821
Less than 3 months past due	**-**	1,636
3 to 6 months past due	**10**	9
6 to 12 months past due	**27**	1,732
	75,898	91,198

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

	Group	
	2014	*2013*
	RMB'000	*RMB'000*
Prepayments relating to purchases of raw materials	**39,088**	32,598
Prepayments relating to purchases of fixed assets	**6,184**	10,137
Deferred expenses	**4,667**	4,527
Value-added tax recoverable	**14,032**	14,544
Other receivables	**19,940**	6,199
	83,911	68,005

(e) The amounts due from subsidiaries were unsecured, interest-free and had no fixed repayment terms.

17 Pledged bank deposits

Pledged deposits can be analysed as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Guarantee deposits for issuance of commercial bills and bank acceptance	**15,971**	9,826

18 Cash and cash equivalents

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank deposits	**122,215**	102,352	**1,431**	5,385
Cash in hand	**141**	23	**26**	-
	122,356	102,375	**1,457**	5,385

As at 31 December 2014, the Group's cash and cash equivalents of RMB110,657,000 (2013: RMB87,881,000) 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

		Group		Company	
	Note	**2014**	2013	**2014**	2013
		RMB'000	RMB'000	**RMB'000**	RMB'000
Trade creditors and bills payable	(a)	**48,814**	66,957	-	-
Receipts in advance		**11,329**	12,554	-	-
Other creditors and accrued charges	(b)	**49,856**	53,654	**235**	1,633
		109,999	133,165	**235**	1,633

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

19 Trade and other payables (continued)

(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:

	Group	
	2014	*2013*
	RMB'000	*RMB'000*
Due within 3 months or on demand	**45,397**	62,614
Due after 3 months but within 6 months	**1,954**	1,754
Due after 6 months but within 12 months	**1,463**	2,589
	48,814	66,957

(b) Other creditors and accrued charges

	Group		*Company*	
	2014	*2013*	***2014***	*2013*
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Accrued charges	**8,813**	13,697	**-**	-
Tax payable other than income tax	**8,323**	1,593	-	-
Payables relating to purchases of fixed assets	**25,620**	29,369	-	-
Advance from an entity	**2,926**	4,979	-	-
Other payables	**4,174**	4,016	**235**	1,633
	49,856	53,654	**235**	1,633

20 Bank loans

As at 31 December 2014, the bank loans were repayable as follows:

	Group	
	2014	*2013*
	RMB'000	*RMB'000*
Within 1 year	**258,000**	224,000
After 1 year but within 2 years	**8,500**	-
	266,500	224,000

20 Bank loans (continued)

As at 31 December 2014, the bank loans were secured as follows:

	Note	Group 2014 RMB'000	Group 2013 RMB'000
Bank loans			
- secured	*(a)*	**120,000**	74,000
- unsecured		**146,500**	150,000
		266,500	224,000

(a) As at 31 December 2014, the bank loans were secured by certain assets of the Group as set out below.

	Group 2014 RMB'000	Group 2013 RMB'000
Machinery and equipment	**119,544**	50,633

(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 2014, the Group had obligations under finance leases repayable as follows:

	Group 2014 Present value of the minimum lease payments RMB'000	Group 2014 Total minimum lease payments RMB'000	Group 2013 Present value of the minimum lease payments RMB'000	Group 2013 Total minimum lease payments RMB'000
Within 1 year	**18,369**	**20,652**	22,565	25,951
After 1 year but within 2 years	**18,457**	**19,458**	36,826	40,110
After 2 years but within 5 years	**4,357**	**4,409**	4,357	4,409
	22,814	**23,867**	41,183	44,519
	41,183	**44,519**	63,748	70,470
Less: total future interest expenses		**(3,336)**		(6,722)
Present value of lease obligations		**41,183**		63,748

22 Income tax in the consolidated statements of financial position

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

	Group	
	2014	*2013*
	RMB'000	*RMB'000*
At 1 January	**4,987**	6,441
Provision for PRC Enterprise Income Tax and PRC dividend withholding tax for the year	**1,972**	10,301
Tax paid	**(2,389)**	(11,755)
At 31 December	**4,570**	4,987

(b) Deferred tax asset and liabilities recognised

(i) The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Group

	Tax losses carryforwards RMB'000	*PRC dividend withholding tax RMB'000*	*Total RMB'000*
Deferred tax arising from:			
At 1 January 2013	-	500	500
Credited to profit or loss	-	250	250
At 31 December 2013	-	750	750
At 1 January 2014	-	750	750
Credited to profit or loss	(1,014)	10	(1,004)
At 31 December 2014	**(1,014)**	**760**	**(254)**

(ii) Reconciliation to the statements of financial position

	Group	
	2014	*2013*
	RMB'000	*RMB'000*
Net deferred tax asset recognised in the statement of financial position	**(1,014)**	-
Net deferred tax liability recognised in the statement of financial position	**760**	750
	(254)	750

22 Income tax in the consolidated statements of financial position (continued)

(c) Deferred tax liabilities not recognised

As at 31 December 2014, temporary difference relating to profit earned by the Company's PRC subsidiaries amounted to RMB212,124,000 (2013: RMB209,163,000) for which no deferred tax liabilities were 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 2014, temporary differences relating to the statutory surplus reserve of the Company's PRC subsidiaries amounted to RMB42,444,000 (2013: RMB41,259,000). No deferred tax liabilities were recognised as at 31 December 2014 as the Company has no plan to liquidate these subsidiaries in the foreseeable future.

23 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Share capital RMB'000	*Share premium RMB'000*	*Other reserve RMB'000*	*Retained earnings RMB'000*	*Total equity RMB'000*
Balance at 1 January 2013	50,577	74,447	146,736	21,147	292,907
Loss and total comprehensive income for the year	-	-	-	(4,729)	(4,729)
Dividends approved in respect of the previous year	-	-	-	(5,000)	(5,000)
Balance at 31 December 2013	50,577	74,447	146,736	11,418	283,178
Balance at 1 January 2014	**50,577**	**74,447**	**146,736**	**11,418**	**283,178**
Profit and total comprehensive income for the year	**-**	**-**	**-**	**7,902**	**7,902**
Dividends approved in respect of the previous year	**-**	**-**	**-**	**(7,600)**	**(7,600)**
Balance at 31 December 2014	**50,577**	**74,447**	**146,736**	**11,720**	**283,480**

23 Capital, reserves and dividends (continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2014 RMB'000	*2013 RMB'000*
Interim dividend declared and paid of RMB nil per ordinary share (2013: RMB nil)	**-**	-
Final dividend proposed after the end of the reporting period of RMB0.0095 per ordinary share (2013: RMB0.0095)	**7,600**	7,600
	7,600	7,600

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2014 RMB'000	*2013 RMB'000*
Final dividends in respect of the previous financial year, approved and paid during the year, of RMB0.0095 per ordinary share (2013: RMB0.00625)	**7,600**	5,000

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

(c) Share capital

Authorised and issued share capital are as follows:

	2014		*2013*	
	No. of shares	***RMB'000***	*No. of shares*	*RMB'000*
Authorised:				
Ordinary shares of USD0.01 each	**10,000,000,000**	**632,110**	10,000,000,000	632,110
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**800,000,000**	**50,577**	800,000,000	50,577

23 Capital, reserves and dividends (continued)

(d) 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, upon approval by the relevant authorities, 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 mainly the difference between the net assets value of subsidiaries acquired and the consideration paid and the waived amount of the amount due to the holding company.

(e) Distributability of reserves

Under the Company Law of the Cayman Islands, the funds in the share premium account and the retained earnings account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

As at 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB86,167,000 (2013: RMB85,865,000). After the end of the reporting period the directors proposed a final dividend of RMB0.0095 per ordinary share (2013: RMB0.0095) amounting to RMB7,600,000 (2013: RMB7,600,000) (note 23(b)). This dividend has not been recognised as a liability at the end of the reporting period.

(f) 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.

23 Capital, reserves and dividends (continued)

(f) Capital management (continued)

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.

24 Financial risk management and fair values (continued)

(a) Credit risk (continued)

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. The Group does not provide any other guarantees which would expose the Group to credit risk.

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 remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

Group

	2014				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	*More than 1 year but within 2 years RMB'000*	*More than 2 years within 5 years RMB'000*	*Total RMB'000*	*Carrying amount RMB'000*
Bank loans	**265,488**	**9,265**	**-**	**274,753**	**266,500**
Trade creditors, bills payable, other creditors and accrued charges	**98,670**	**-**	**-**	**98,670**	**98,670**
Obligations under finance lease	**20,652**	**19,458**	**4,409**	**44,519**	**41,183**
	384,810	**28,723**	**4,409**	**417,942**	**406,353**

24 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

Group (continued)

	2013				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	*More than 1 year but within 2 years RMB'000*	*More than 2 years within 5 years RMB'000*	*Total RMB'000*	*Carrying amount RMB'000*
Bank loans	230,253	-	-	230,253	224,000
Trade creditors, bills payable, other creditors and accrued charges	120,611	-	-	120,611	120,611
Obligations under finance lease	25,951	40,110	4,409	70,470	63,748
	376,815	40,110	4,409	421,334	408,359

Company

	2014				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	***More than 1 year but within 2 years RMB'000***	***More than 2 years within 5 years RMB'000***	***Total RMB'000***	***Carrying amount RMB'000***
Other creditors and accrued charges	**235**	**-**	**-**	**235**	**235**

	2013				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	*More than 1 year but within 2 years RMB'000*	*More than 2 years within 5 years RMB'000*	*Total RMB'000*	*Carrying amount RMB'000*
Other creditors and accrued charges	1,633	-	-	1,633	1,633

(c) Interest rate risk

The Group's interest rate risk arises primarily from 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.

24 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(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.

Group

	2014		*2013*	
	Effective interest rate %	***RMB'000***	*Effective interest rate %*	*RMB'000*
Net fixed rate borrowings:				
Obligations under finance lease	**6.58%-7.10%**	**41,183**	6.58%-7.10%	63,748
Bank loans	**4.60%-6.60%**	**200,000**	4.50%-6.00%	204,000
Less: pledged bank deposits	**2.80%**	**(15,971)**	3.00%	(9,826)
		225,212		257,922
Variable rate borrowings:				
Bank loans	**6.00%**	**66,500**	6.00%	20,000
Less: bank deposits	**0.35%**	**(122,215)**	0.35%	(102,352)
		(55,715)		(82,352)
Total net interest-bearing borrowings		**169,497**		175,570

(ii) Sensitivity analysis

It is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have increase/decrease the Group's profit for the year and retained earnings by approximately RMB209,000 (2013: RMB309,000).

(d) Currency risk

The Group and the Company 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.

24 Financial risk management and fair values (continued)

(d) Currency risk (continued)

The following table details the Group's and the Company'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.

Group

	Exposure to foreign currencies (expressed in Renminbi)							
	2014				*2013*			
	Euros	***USD***	***JPY***	***HKD***	*Euros*	*USD*	*JPY*	*HKD*
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	**-**	**6,042**	**-**	**-**	-	5,242	-	-
Cash and cash equivalents	**11**	**9,423**	**5**	**2,260**	34	8,192	18	6,250
Pledged bank deposits	**-**	**-**	**-**	**-**	-	1,098	-	-
Trade and other payables	**-**	**(1,249)**	**-**	**-**	-	(3,700)	-	-
Net exposure arising from recognised assets and liabilities	**11**	**14,216**	**5**	**2,260**	34	10,832	18	6,250

Company

	Exposure to foreign currencies (expressed in Renminbi)	
	2014	*2013*
	HKD	*HKD*
	RMB'000	*RMB'000*
Amounts due from subsidiaries	**282,258**	221,841
Cash and cash equivalents	**1,457**	5,385
Other payables	**(235)**	(1,633)
Net exposure arising from recognised assets and liabilities	**283,480**	225,593

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

24 Financial risk management and fair values (continued)

(d) Currency risk (continued)

Group

	2014		2013	
	Increase/ (decrease) in foreign exchange rates	***Effect on profit for the year and retained earnings RMB'000***	*Increase/ (decrease) in foreign exchange rates*	*Effect on profit for the year and retained earnings RMB'000*
Euros	**10%**	**1**	10%	3
	(10%)	**(1)**	(10%)	(3)
United States Dollars	**5%**	**533**	5%	406
	(5%)	**(533)**	(5%)	(406)
Japanese Yen	**10%**	**-**	10%	1
	(10%)	**-**	(10%)	(1)
Hong Kong Dollars	**5%**	**113**	5%	313
	(5%)	**(113)**	(5%)	(313)

Company

	2014		2013	
	Increase/ (decrease) in foreign exchange rates	***Effect on profit for the year and retained earnings RMB'000***	*Increase/ (decrease) in foreign exchange rates*	*Effect on profit for the year and retained earnings RMB'000*
Hong Kong Dollars	**5%**	**14,174**	5%	11,280
	(5%)	**(14,174)**	(5%)	(11,280)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2013.

(e) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 2013.

24 Financial risk management and fair values (continued)

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Interest-bearing loans and borrowings and finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at the interest rate based on the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

25 Commitments

Capital commitments outstanding at 31 December 2014 and 2013 not provided for in the consolidated financial statements were as follows:

	Group	
	2014	*2013*
	RMB'000	*RMB'000*
Contracted for	**4,080**	15,968

26 Material related party transactions

The Group has entered into the following material related party transactions during the years ended 31 December 2014 and 2013:

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2014	*2013*
	RMB'000	*RMB'000*
Short-term employee benefits	**1,792**	1,801
Post-employment benefits	**33**	33
	1,825	1,834

Total remuneration is disclosed in "staff costs" (see note 5(b)).

27 Non-adjusting events after the reporting period

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in Note 23(b).

28 Immediate and ultimate controlling parties

As at 31 December 2014, 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 Group to be Mr. Liu Dong.

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2014

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 19, *Defined benefit plans: Employee contributions*	1 July 2014
Annual improvements to IFRSs 2010-2012 cycle	1 July 2014
Annual improvements to IFRSs 2011-2013 cycle	1 July 2014
Amendments to IFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018

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.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.