



# 2015 INTERIM REPORT

## SILVERMAN HOLDINGS LIMITED

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



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**SUMMARY**

- Turnover was approximately RMB318.3 million, representing a decrease of approximately 12.1% as compared to that of the corresponding period of last year.
- Gross profit margin was approximately 15.5% of the turnover, representing an increase of approximately 1.4% as compared to that of approximately 14.1% for the corresponding period of last year.
- Gross profit decreased by approximately RMB1.7 million, or approximately 3.4%, to approximately RMB49.3 million for the six months ended 30 June 2015.
- Profit attributable to the equity shareholders of the Company was approximately RMB7.9 million, representing an increase of approximately 6.0% as compared to that of the corresponding period of last year.

## CORPORATE INFORMATION

### The Board of Directors

#### Executive Directors

Mr. LIU Dong (*Chairman*)  
 Mr. LIU Zongjun (*Chief Executive Officer*)  
 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, Uglan 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>

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

In the first half of 2015, although the cotton textile industry is still facing problems such as downward pressure on cotton prices and weak market demand etc., it has been showing a trend of gradual stability. The domestic cotton prices are gradually in line with the market, which is gradually narrowing the price difference with the international cotton prices. The competitiveness of China's cotton textile enterprises has recovered to some extent, with constantly narrowing declines in export. The corporate profits and the total amount of investment have begun to rise again, and the overall operation of the industry tends to be steady.

In the first half of 2015, the amount of China's textile and apparel exports was USD131.9 billion, representing a decrease of approximately 2.9% as compared to that of the previous year. Among them, exports of cotton woven fabrics was USD26.12 billion, representing an increase of approximately 1.1% as compared to that of the previous year; average unit price of exports was USD1.41/kg, representing a decrease of approximately 2.1% as compared to that of the previous year. In the field of market, Asia is still the main export market for China's cotton woven fabrics, with the market share of approximately 65.3%, or nearly 2/3 in the first half of 2015. Among them, exports of fabrics from the Association of Southeast Asian Nations (ASEAN) increased by approximately 11.3%, accounting for nearly 30% of China's total fabric exports. Exports of fabrics to Vietnam accounted for even more than 14.4% of China's total fabric exports, which became China's largest exporter for fabrics. These changes in China's fabrics export market reflect the transfer of China's textile industry chain.

Cotton price is an indicator of textile market. The price difference between domestic and overseas cotton had decreased from the highest amount of approximately RMB6,100/ton (representing the price difference between the international price after 1% tariff discounts and the domestic price of 3128B cotton) to approximately RMB1,800/ton currently, since the cessation of cotton purchasing and storage policy from April 2014. The marketization of cotton price and the return of reasonable price of domestic and overseas cotton laid a foundation for the overall stabilization of China's textile industry.

## BUSINESS REVIEW

In the first half of 2015, facing continuous and complex economic and industry situation, Silverman Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) still insisted on the established strategy of taking the initiative, based on our own characteristics, to further dig and make full use of the advantages of differential positioning, the development of new materials and new fiber fabric as well as saving energy and reducing consumption and costs to ensure the normal operation of the Company.

For the six months ended 30 June 2015 (the “**Period Under Review**”), the Group’s main business revenue was approximately RMB318.3 million, representing a decrease of approximately 12.1% as compared with approximately RMB362.1 million in the previous year. The decrease was mainly due to the decline of the cotton price and the increase in the proportion of processing service revenue. Profit attributable to equity shareholders of the Company was approximately RMB7.9 million, representing an increase of approximately 6.0% as compared with approximately RMB7.4 million for the corresponding period in the previous year. The increase in profit was mainly due to the decrease in raw material costs, depreciation costs, energy consumption costs, labor costs and other expenses.

For the six months ended 30 June 2015, the gross profit margin of the Group increased by approximately 1.4%, from approximately 14.1% to approximately 15.5%, when compared to that of the corresponding period in the previous year. Among them, the gross profit margin of jacquard fabrics increased by approximately 4.8%; the sales volume of jacquard fabrics and dobby fabrics were approximately 5.3 million meters and 17.3 million meters respectively, representing no change and a decrease of approximately 15.2% respectively as compared to those of the corresponding period in the previous year. The percentage of revenue derived from the jacquard and dobby fabrics made of new materials amounted to approximately 59.5%, representing a decrease of approximately 6.5% as compared to that of the corresponding period in the previous year. The percentage of revenue derived from the jacquard fabrics amounted to approximately 27.2%, representing an increase of approximately 0.8% as compared to that of the corresponding period in the previous year. Sales volume of processing was approximately RMB10.2 million meters, representing an increase of approximately 104% as compared to that of approximately 5 million meters for the corresponding period in the previous year.

The rising of the gross profit margin and the proportion of jacquard fabrics reflects the Group’s advantage of more prominent product feature and the great efforts made by the Group to develop new and special products, to further optimize the product structure and to improve efficiency according to the market demand under the tough market conditions.



## 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 products for the six months ended 30 June 2015 and 30 June 2014, respectively:

Product	For the six months ended 30 June					
	2015			2014		
	Turnover RMB'000	Gross profit RMB'000	Gross profit margin %	Turnover RMB'000	Gross profit RMB'000	Gross profit margin %
Jacquard grey fabrics	86,416	20,434	23.65%	95,422	18,052	18.9%
Dobby grey fabrics	200,295	27,358	13.66%	249,626	31,620	12.7%
Processing service income	21,997	1,181	5.37%	11,794	716	6.1%
Others	9,563	317	3.31%	5,257	634	12.1%
<b>Total</b>	<b>318,271</b>	<b>49,290</b>	<b>15.49%</b>	<b>362,099</b>	<b>51,022</b>	<b>14.1%</b>

For the six months ended 30 June 2015, the gross profit margin of the Group increased by approximately 1.4%, from approximately 14.1% to approximately 15.5%, when compared to that of the corresponding period in the previous year. The increase of the major products gross profit margins and the overall gross profit margin were mainly due to (i) the decrease in raw material costs and costs resulted from the expiration of part of the equipment depreciation; and (ii) the decrease in costs of energy consumption and labor costs. In addition to cost control, the Group developed new and special products according to the market demand to optimize the product mix, and implemented flexible and effective marketing strategy to maximize the Group's gross profit margin.

### Distribution costs

For the six months ended 30 June 2015, total distribution costs of the Group increased by approximately RMB0.4 million to approximately RMB6.8 million from approximately RMB6.4 million of the corresponding period in the previous year. Such increase was mainly due to the increase in business entertainment costs during the Period Under Review when compared to that of the corresponding period in the previous year.

### Administrative expenses

For the six months ended 30 June 2015, the administrative expenses of the Group was approximately RMB29.1 million, representing a decrease of approximately 4.6% when compared to that of approximately RMB30.5 million of the corresponding period in the previous year. The decrease was mainly due to the drop in wages of management staffs and R&D expenditures.

## Net finance costs

During the Period Under Review, the Group recorded a net finance cost of approximately RMB8.4 million. For the six months ended 30 June 2015, the finance costs of the Group were approximately RMB9.7 million, representing a decrease of approximately RMB0.5 million as compared to that of approximately RMB10.2 million of the corresponding period in 2014. Such decrease was mainly due to the decrease in the interest expenses resulted from the decrease in amount of financial lease. The finance income of the Group was approximately RMB1.3 million, representing an increase of approximately RMB0.5 million when compared to that of approximately RMB0.8 million of the corresponding period in 2014, which was mainly due to the increase in foreign exchange gain in 2015.

## Taxation

Taxation of the Group increased from approximately minus RMB1.3 million in the first half of 2014 to approximately RMB2.1 million in the Period Under Review. This was mainly due to the increase in taxable profit during the Period Under Review.

## Profit attributable to the equity shareholders of the Company

For the six months ended 30 June 2015, the profit attributable to the equity shareholders of the Company was approximately RMB7.9 million, representing an increase of approximately 6.0%, from approximately RMB7.4 million as compared to that of the corresponding period in 2014. The increase was mainly due to the drop of raw material costs, depreciation costs, energy consumption costs, labor costs and other expenses. The gross profit margin for the six months ended 30 June 2015 was approximately 15.5%, representing an increase of approximately 1.4%, from that of approximately 14.1% for the corresponding period in the previous year. As a consequence, the gross profit dropped by approximately 3.4%, or approximately RMB1.7 million, to approximately RMB49.3 million for the six months ended 30 June 2015 from that of approximately RMB51.0 million for the corresponding period in the previous year.

## Liquidity and financial resources

As at 30 June 2015, cash and cash equivalents of the Group were approximately RMB133.1 million, representing an increase of approximately 8.7% from approximately RMB122.4 million as at 31 December 2014. The increase was mainly because of the increase in payment collection.

As at 30 June 2015, the Group's cash and cash equivalents were mainly held in Renminbi, Japanese Yen, US dollars, HK dollars and Euro, of which, approximately RMB118.6 million (31 December 2014: RMB110.5 million) or 89% (31 December 2014: RMB90.3%) of the cash and cash equivalents were held by the Group in Renminbi.

For the six months ended 30 June 2015, the Group's net cash generated from operating activities was approximately RMB90.1 million, net cash used in investing activities was approximately RMB107.5 million and net cash generated from financing activities was approximately RMB28.1 million. Cash and cash equivalents increased by approximately RMB10.7 million during the Period Under Review (as at 31 December 2014: approximately RMB122.4 million). The board of directors (the "Board") of the Company 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 built 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 six months ended 30 June 2015, the average trade receivables (including bills receivable) turnover period of the Group was approximately 38 days, down from 48 days for the corresponding period in the previous year. The decrease was mainly due to the increase of intensity in payment collection of the Group.

For the six months ended 30 June 2015, inventory turnover period of the Group decreased to 91 days from 94 days for the corresponding period in the previous year. This was mainly because of the increase in inventory liquidity as compared to that of the last year.

As at 30 June 2015, the Group's borrowings (including obligations under financial lease) was approximately RMB345.2 million (31 December 2014: approximately RMB241.2 million), bore fixed interest at rates ranging from 3.2% to 6.0% (31 December 2014: 4.6% to 7.1%) per annum.

### Capital structure

The Group continues to maintain an appropriate mix of equity and debt to ensure an efficient capital structure to reduce capital cost. As at 30 June 2015, the debts of the Group were mainly represented by borrowings with a total amount of approximately RMB345.2 million (31 December 2014: approximately RMB307.7 million). As at 30 June 2015, cash and cash equivalents were approximately RMB133.1 million (31 December 2014: approximately RMB122.4 million). As at 30 June 2015, the Group's gearing ratio was approximately 43.5% (31 December 2014: approximately 36.0%), which was calculated by dividing total debt (i.e. interest-bearing bank borrowings and obligations under finance lease, after deducting cash and cash equivalents) by total equity.

As at 30 June 2015, the Group's debts due within a year were approximately RMB332.8 million.

### Capital commitments

Save as disclosed in note 16 below, the Group did not have any other significant capital commitments as at 30 June 2015 (31 December 2014: Nil).

### Exposure to foreign exchange risk

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

### Contingent liabilities

As at 30 June 2015, the Group did not have any contingent liabilities (31 December 2014: Nil).

### Charges on assets

The Group pledged the bank deposits of approximately RMB106.1 million (31 December 2014: RMB 16.0 million) and its machinery and equipment with net book value of approximately RMB68.4 million (31 December 2014: RMB119.5 million) to banks as securities for bank borrowings as at 30 June 2015.

### Employee and remuneration policy

As at 30 June 2015, the Group had a total of approximately 2,799 employees (31 December 2014: 2,941; 30 June 2014: 2,946), the decrease in the number of staffs as compared to that of the corresponding period in the previous year was mainly because of the Group's increase in efficiency by downsizing staffs according to the Company's operating conditions.

For the six months ended 30 June 2015, staff costs of the Group (including directors' remuneration in the form of salaries and other allowances) were approximately RMB56.3 million (2014: approximately RMB60.2 million). The decrease in staff costs was mainly due to the Company's increase in efficiency by downsizing staffs and the drop in wages of management staff according to operating conditions.

The Group continues to provide training to staffs to improve their operation skill. Meanwhile, the Group enhanced the work efficiency and the average income of the staffs through post-consolidation, process reorganization and improvement of working and living environment of the staffs. 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 staffs to strive for better performance. During the year of 2015, the Group will continue to provide training to staffs according to their respective skill requirements, such as training sessions on safety and skill.

**Significant investments held**

Save as the investments in equity securities and short-term investments presented in the unaudited consolidated statement of financial position as at 30 June 2015, the Group did not hold any significant investments in equity interest in any company during the six months ended 30 June 2015.

**Future plans for material investments and capital assets**

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

**Material acquisitions and disposals of subsidiaries and associated companies**

During the six months ended 30 June 2015, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

## FUTURE OUTLOOK

In the first half of 2015, the gross domestic product (“GDP”) of China increased by approximately 7.0% as compared to that of the previous year, and the main economic data showed a gradual, stable and positive trend of China's economy, with an intended achievement of the annual target rate of 7.0%. In the field of industry, in the first half of 2015, the main business revenue of the enterprises of designated scale of China's textile industry was RMB3.1881 trillion, representing an increase of approximately 5.4% as compared to that of the previous year; the total profit was RMB157.7 billion, representing an increase of approximately 9.4% as compared to that of the previous year; the scale of losses of loss-making enterprises was approximately 15.8%, representing a decrease of approximately 0.2% as compared to that of the last year; the total amount of loss-making enterprises decreased by approximately 10.8% as compared to that of the previous year. The completed investment in the fixed assets on the project above RMB5.0 million was RMB 524.5 billion, representing an increase of approximately 15.4% as compared to that of the previous year. New projects of the industry increased by approximately 11.0% as compared to that of the previous year, representing a growth increase by approximately 10.9% as compared to that of the corresponding period in the previous year, which reflected a strong sign of reversal and recovery.

In the first half of 2015, exchange rate fluctuations became the most important factor affecting China's textile exports. Exports of China's textile industry to Europe and Japan in the first half of 2015 decreased by 13.6% and 12.5% respectively, and it was mainly due to the impact caused by the sharp depreciation of the euro and the Yen. Currently, the depreciation of the RMB and the appreciation of the US dollar will undoubtedly have positive impacts on textile exports in the second half of 2015.

Combined with the characteristics of economy, industry and the enterprise itself, in the future, the Group will insist on taking the initiative to develop new and differential products which fulfills the market demand in order to always keep the leading position in the market segment. Meanwhile, the Group will further improve the level of lean management and innovation capability, increase revenue and reduce expenditure, and improve efficiency so as to continuously enhance the profitability and core competitiveness of the Group.

## SUPPLEMENTARY INFORMATION

### 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 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 HKD140.0 million (equivalent to approximately RMB112.0 million), out of which, approximately 66.0% of the Net IPO Proceeds or approximately HKD92.0 million (equivalent to approximately RMB74.0 million) was designated to be used for the above purpose.

Nevertheless, due to 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 part of the use 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 cost and supply of yarns required for existing production. The estimated total purchase price was approximately RMB200.0 million. The remaining funds to be required were 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 website 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.

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

For the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 30 June 2015, the directors of the Company (the “**Directors**”) and chief executive of the Company had the following interests in the shares, underlying shares and debentures of the Company, its Group members and/or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“**SFO**”)), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Name of Directors	Name of Group member/ associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. LIU Dong (Note 2)	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 of the Company or the relevant associated corporation.
2. The shares are held by Excel Orient Limited which is a company incorporated in the British Virgin Islands (“**BVI**”) and the entire issued capital of which is beneficially owned by Mr. LIU Dong, one of the controlling shareholders and executive Directors of the Company.

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.



## Interest discloseable under the SFO and substantial shareholders

As at 30 June 2015, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company 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 executive of the Company) in the shares of the 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 of the Company 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 of the Company 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 of the Company which Mr. YAN Tangfeng is interested in for the purpose of the SFO.

Save as disclosed above, as at 30 June 2015, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, its Group members or associated corporations which would fall to be disclosed to the Company 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.

## Corporate governance

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

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

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

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the period from 1 January 2015 to 31 March 2015, Mr. Liu Dong has been the chairman and chief executive officer of the Company. With the development of the Company and for enhancement of corporate governance, 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. Mr. Liu Zongjun has been an executive Director of the Company and has served as vice president of administration since the Company has been listed, and the Board is of the view that Mr. Liu Zongjun is qualified to take over the position as the chief executive officer in all aspects including his personal ability, quality, experience, knowledge, and educational background etc. Since 1 April 2015, Code Provisions A.2.1 has been complied with by the Company.

## 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 from 1 September 2013).

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

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

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

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

### **Model code for securities transactions by the Directors**

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

### **Audit committee**

The audit committee of the Company established by the Board has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financing reporting matters (including the review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2015).

### **Interim dividend**

The Board does not propose an interim dividend for the six months ended 30 June 2015 (30 June 2014: Nil).

### **Share option scheme**

The Company's existing share option scheme (the “**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 (the “**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 six months ended 30 June 2015, no options were granted, exercised, cancelled or lapsed under the Share Option Scheme. The Company has no outstanding options as at 1 January 2015 and 30 June 2015.

Apart from the aforesaid share option schemes, at no time during the six months ended 30 June 2015 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.

### **Events after the reporting period**

No significant event took place during the period subsequent to 30 June 2015 and up to the date of this announcement.

**Consolidated statement of profit or loss and other comprehensive income**

For the six months ended 30 June 2015 - unaudited

(Expressed in Renminbi)

	Note	<b>Six months ended 30 June</b>	
		<b>2015</b>	<b>2014</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Turnover</b>	3	<b>318,271</b>	362,099
Cost of sales		<b>(268,981)</b>	(311,077)
<b>Gross profit</b>		<b>49,290</b>	51,022
Other net gains	4	<b>4,962</b>	1,384
Distribution costs		<b>(6,764)</b>	(6,368)
Administrative expenses		<b>(29,101)</b>	(30,477)
<b>Profit from operations</b>		<b>18,387</b>	15,561
Finance income	5(a)	<b>1,296</b>	757
Finance costs	5(a)	<b>(9,732)</b>	(10,179)
<b>Profit before taxation</b>		<b>9,951</b>	6,139
Income tax	6	<b>(2,098)</b>	1,272
<b>Profit and total comprehensive income for the period</b>		<b>7,853</b>	7,411
<b>Profit and total comprehensive income attributable to equity shareholders of the Company</b>		<b>7,853</b>	7,411
<b>Earnings per share (RMB)</b>	7	<b>0.0098</b>	0.0093
Basic and diluted			

The accompanying notes from part of this interim financial report. Details of the dividends payable to equity shareholders of the Company are set out in note 14.

**Consolidated statement of financial position**

As at 30 June 2015 - unaudited

*(Expressed in Renminbi)*

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
<b>Non-current assets</b>			
Fixed assets	8		
— Property, plant and equipment		<b>508,209</b>	530,229
— Interests in leasehold land under operating leases		<b>51,527</b>	51,977
		<b>559,736</b>	582,206
Intangible assets		<b>63</b>	79
Goodwill		<b>6,394</b>	6,394
Investments in equity securities		<b>1,000</b>	1,000
Deferred expenses	10	<b>2,384</b>	3,341
Deferred tax assets		<b>479</b>	1,014
		<b>570,056</b>	594,034
<b>Current assets</b>			
Short-term investments	9	<b>3,000</b>	-
Inventories		<b>138,443</b>	132,377
Trade and other receivables	10	<b>114,019</b>	159,708
Pledged bank deposits	11	<b>106,057</b>	15,971
Cash and cash equivalents	12	<b>133,095</b>	122,356
		<b>494,614</b>	430,412
<b>Current liabilities</b>			
Trade and other payables	13	<b>110,921</b>	109,999
Bank loans		<b>315,857</b>	258,000
Obligations under finance leases		<b>16,990</b>	18,369
Current taxation		<b>6,697</b>	4,570
		<b>450,465</b>	390,938
<b>Net current assets</b>		<b>44,149</b>	39,474
<b>Total assets less current liabilities</b>		<b>614,205</b>	633,508

The accompanying notes from part of this interim financial report.



**Consolidated statement of financial position (Continued)**

As at 30 June 2015 - unaudited

(Expressed in Renminbi)

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
<b>Non-current liabilities</b>			
Interest-bearing borrowings		-	8,500
Obligations under finance leases		12,322	22,814
Deferred tax liabilities		196	760
		<u>12,518</u>	<u>32,074</u>
<b>Net assets</b>		<u><b>601,687</b></u>	<u>601,434</u>
<b>Equity</b>			
Capital	14(b)	50,577	50,577
Reserves		551,110	550,857
<b>Total equity</b>		<u><b>601,687</b></u>	<u>601,434</u>

The accompanying notes from part of this interim financial report.

## Consolidated statement of changes in equity

For the six months ended 30 June 2015 - unaudited

(Expressed in Renminbi)

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
<b>Balance at 1 January 2014</b>	50,577	74,447	(909)	55,308	119,359	302,618	601,400
Change in equity for the six months ended 30 June 2014:							
Profit and total comprehensive income for the period	-	-	-	-	-	7,411	7,411
Dividends approved in respect of the previous year	-	-	-	-	-	(7,600)	(7,600)
<b>Balance at 30 June 2014</b>	<u>50,577</u>	<u>74,447</u>	<u>(909)</u>	<u>55,308</u>	<u>119,359</u>	<u>302,429</u>	<u>601,211</u>
<b>Balance at 1 January 2015</b>	50,577	74,447	(909)	56,493	119,359	301,467	601,434
Change in equity for the six months ended 30 June 2015:							
Profit and total comprehensive income for the period	-	-	-	-	-	7,853	7,853
Dividends approved in respect of the previous year	-	-	-	-	-	(7,600)	(7,600)
<b>Balance at 30 June 2015</b>	<u>50,577</u>	<u>74,447</u>	<u>(909)</u>	<u>56,493</u>	<u>119,359</u>	<u>301,720</u>	<u>601,687</u>

The accompanying notes from part of this interim financial report.

**Condensed consolidated cash flow statement**

For the six months ended 30 June 2015 - unaudited

(Expressed in Renminbi)

	Note	<b>Six months ended 30 June</b>	
		<b>2015</b>	<b>2014</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Operating activities</b>			
Cash generated from operations		<b>90,135</b>	22,305
Tax paid		-	(2,362)
<b>Net cash generated from operating activities</b>		<b>90,135</b>	19,943
<b>Investing activities</b>			
Payment for the purchase of fixed assets		<b>(16,010)</b>	(42,069)
Other cash flows arising from investing activities		<b>(91,465)</b>	(19,297)
<b>Net cash used in investing activities</b>		<b>(107,475)</b>	(61,366)
<b>Financing activities</b>			
Cash flows arising from financing activities		<b>28,079</b>	28,021
<b>Net cash generated from financing activities</b>		<b>28,079</b>	28,021
<b>Net increase/(decrease) cash and cash equivalents</b>		<b>10,739</b>	(13,402)
Cash and cash equivalents at 1 January		<b>122,356</b>	102,375
<b>Cash and cash equivalents at 30 June</b>	12	<b>133,095</b>	88,973

The accompanying notes from part of this interim financial report.

**Notes to the unaudited interim financial report**  
(Expressed in Renminbi unless otherwise indicated)

**1 Basis of preparation**

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 21 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted by Silverman Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) in the preparation of the consolidated financial statements for the year ended 31 December 2014, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 are available from the Company’s registered office. The Company’s auditor has expressed an unqualified opinion on those financial statements in its report dated 27 March 2015.

## 2 Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group and the Company.

- *Annual Improvements to IFRSs 2010-2012 Cycle*
- *Annual Improvements to IFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3 Turnover and segment information

The principal activities of the Group are the manufacturing and sales of textile products. Turnover represents the sales value of goods supplied to customers and service income (net of sales tax, value-added tax and discounts). The amount of each significant category of revenue recognised in turnover is as follows:

	<b><u>Six months ended 30 June</u></b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Sales of textile products:		
— Dobby grey fabrics	<b>200,295</b>	249,626
— Jacquard grey fabrics	<b>86,416</b>	95,422
— Others	<b>9,563</b>	5,257
	<b>296,274</b>	350,305
Processing services income	<b>21,997</b>	11,794
	<b>318,271</b>	362,099

### 3 Turnover and segment information (continued)

No segment information is presented as the Group is principally engaged in one operating segment which is the manufacturing and sale of textile products. The Group operates in the PRC and its major assets are located in the PRC. The following is an analysis of the Group's revenue by geographical markets:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
The PRC	<b>295,195</b>	325,321
Overseas	<b>23,076</b>	36,778
	<b>318,271</b>	<b>362,099</b>

### 4 Other net gains

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Net gain on sale of raw materials and scrap materials	<b>203</b>	913
Net gain on disposal of property, plant and equipment	-	457
Net gain from short-term investments	<b>1,123</b>	174
Net gain on forex swaps	<b>670</b>	-
Net gain on a structure product	<b>165</b>	-
Government grants	<b>2,826</b>	262
Others	<b>(25)</b>	(422)
	<b>4,962</b>	<b>1,384</b>

## 5 Profit before taxation

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

(a) Finance income and finance costs

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b><i>Finance income</i></b>		
Interest income	(892)	(729)
Foreign exchange gain	(404)	(28)
	<u>(1,296)</u>	<u>(757)</u>
<b><i>Finance costs</i></b>		
Interest on borrowings	7,260	7,035
Less: interest capitalised into property, plant and equipment*	392	-
	<u>6,868</u>	<u>7,035</u>
Interest expenses	6,868	7,035
Finance charges on obligations under finance leases	1,539	1,757
Foreign exchange loss	991	498
Other finance charges	334	889
	<u>9,732</u>	<u>10,179</u>

\* The borrowing costs have been capitalized at a rate of 5.43% per annum for the period ended 30 June 2015.

(b) Other items

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Depreciation	30,681	33,031
Amortisation		
— leasehold land	550	535
— intangible assets	16	9
Impairment loss on trade receivables	1,700	-
Reversal of impairment loss on other receivables	(2,110)	(1,500)
	<u>(2,110)</u>	<u>(1,500)</u>

## 6 Income tax

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current tax	<b>2,126</b>	<b>(707)</b>
Deferred tax	<b>(28)</b>	<b>(565)</b>
	<b>2,098</b>	<b>(1,272)</b>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in those jurisdictions.
- (ii) The Group's Hong Kong subsidiaries, being investment holding companies, do not derive income subject to Hong Kong Profits Tax. For the six months ended 30 June 2015, Hong Kong Profits Tax rate is 16.5% (2014: 16.5%). The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.
- (iii) The statutory tax rate applicable to the subsidiaries established in the PRC was 25% (2014: 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 the PRC dividend withholding tax on dividends receivables from their PRC subsidiaries.



## 7 Earnings per share

The calculation of basic and diluted earnings per share for the six months ended 30 June 2015 is based on the profit attributable to equity shareholders of the Company of RMB7,853,000 (six months ended 30 June 2014: RMB7,411,000) and the weighted average of 800,000,000 shares (six months ended 30 June 2014: 800,000,000 shares), in issue during the interim period.

There was no difference between basic and diluted earnings per share as there were no dilutive potential shares outstanding for the six months ended 30 June 2015 and 2014 respectively.

## 8 Fixed assets

During the six months ended 30 June 2015, the Group acquired items of property, plant and machinery with a cost of RMB8,661,000 (six months ended 30 June 2014: RMB20,130,000) and interests in leasehold land under operating leases with a cost of RMB100,000 (six months ended 30 June 2014: RMB4,668,000). No items of fixed assets were disposed of during the six months ended 30 June 2015. Items of machinery with a net book value of RMB367,000 were disposed of during the six months ended 30 June 2014, resulting in a gain on disposal of RMB457,000.

## 9 Short-term investments

	<b>At 30 June 2015 RMB'000</b>	At 31 December 2014 RMB'000
Investment in a collective financial plan, designated as at fair value through profit or loss	<b>3,000</b>	-

The collective financial plan is managed by Bank of Communications Co., Ltd. The investment is capital-guaranteed and can be redeemed on demand.

## 10 Trade and other receivables

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	<b>At 30 June 2015 RMB'000</b>	At 31 December 2014 RMB'000
Current	<b>56,517</b>	76,211
3 to 6 months past due	-	10
6 to 12 months past due	<b>68</b>	2,917
	<hr/>	<hr/>
Trade debtors and bills receivable, net of allowance for doubtful debts	<b>56,585</b>	79,138
Prepayments relating to purchases of raw materials	<b>22,453</b>	39,088
Prepayments relating to purchases of fixed assets	<b>7,826</b>	6,184
Value-added tax recoverable	<b>11,290</b>	14,032
Deferred expenses	<b>3,641</b>	4,667
Derivative financial instruments	<b>835</b>	-
Other receivables	<b>13,773</b>	19,940
	<hr/>	<hr/>
	<b>116,403</b>	163,049
Deferred expenses expected to be recognised as expense after more than one year	<b>(2,384)</b>	(3,341)
	<hr/>	<hr/>
	<b>114,019</b>	159,708
	<hr/> <hr/>	<hr/> <hr/>

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

## 11 Pledged bank deposits

	<b>At 30 June 2015 RMB'000</b>	At 31 December 2014 RMB'000
Guarantee deposits for issuance of commercial bills and bank acceptance	<b>16,700</b>	15,971
Guarantee deposits for bank loans	<b>89,357</b>	-
	<hr/>	<hr/>
	<b>106,057</b>	15,971
	<hr/> <hr/>	<hr/> <hr/>

## 12 Cash and cash equivalents

	<b>At 30 June 2015 RMB'000</b>	At 31 December 2014 RMB'000
Bank deposits	132,977	122,215
Cash in hand	118	141
	<u>133,095</u>	<u>122,356</u>

## 13 Trade and other payables

As of the end of the reporting period, the ageing analysis of trade creditors and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	<b>At 30 June 2015 RMB'000</b>	At 31 December 2014 RMB'000
Due within 3 months or on demand	42,710	45,397
Due after 3 months but within 6 months	2,476	1,954
Due after 6 months but within 12 months	1,443	1,463
Trade creditors and bills payable	<u>46,629</u>	<u>48,814</u>
Payables relating to purchases of fixed assets	20,013	25,620
Receipts in advance	12,173	11,329
Taxes payable other than income tax	10,031	8,323
Accrued charges	8,565	8,813
Dividends payable	7,600	-
Advance from an entity	1,926	2,926
Other payables	3,984	4,174
	<u>110,921</u>	<u>109,999</u>

## 14 Capital and dividends

### (a) Dividend

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Interim dividend declared after the interim period of RMB nil per share (2014: RMB nil)	-	-

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period	<b>7,600</b>	7,600

The final dividend in respect of the financial year ended 31 December 2014 was paid in July 2015.

### (b) Share capital

	<i>At 30 June 2015</i>		<i>At 31 December 2014</i>	
	<i>No. of shares</i>	<i>RMB'000</i>	<i>No. of shares</i>	<i>RMB'000</i>
<b>Ordinary shares (USD0.01 each), issued and fully paid:</b>				
At 30 June and 31 December	<b>800,000,000</b>	<b>50,577</b>	800,000,000	50,577

## 15 Fair value measurement of financial instruments

### (a) Financial assets and liabilities measured at fair value:

#### (i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

## 15 Fair value measurement of financial instruments (continued)

(a) Financial assets and liabilities measured at fair value: (continued)

(i) Fair value hierarchy (continued)

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

	Fair value at 30 June 2015 RMB'000	Fair value measurements as at 30 June 2015 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurement</b>				
Financial assets:				
Investment in a collective financial plan, designated as at fair value through profit or loss	3,000	-	3,000	-
Derivative financial instruments:				
— Forex swaps	670	-	670	-
— Structure product	165	-	165	-

	Fair value at 31 December 2014 RMB'000	Fair value measurements as at 31 December 2014 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurement</b>				
Financial assets:				
Investment in a collective financial plan, designated as at fair value through profit or loss	-	-	-	-
Derivative financial instruments:				
— Forex swaps	-	-	-	-
— Structure product	-	-	-	-

## 15 Fair value measurement of financial instruments (continued)

- (a) Financial assets and liabilities measured at fair value: (continued)
- (i) Fair value hierarchy (continued)

During the six months ended 30 June 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

- (ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the investment in a collective financial plan is determined by discounting the future cash flows at current market interest rates for similar financial instruments.

The fair value of forex swaps is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period.

The fair value of structure product is determined by the expected present value of payoffs. The payoffs are derived from the forex binary options regarding the contractual barrier.

- (b) Fair values of financial assets and liabilities carried at other fair value

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 30 June 2015.

## 16 Commitments

As at 30 June 2015, the Group had capital commitments in respect of property, plant and equipment not provided for in the condensed consolidated interim financial statements as follows:

	<b>At 30 June 2015 RMB'000</b>	At 31 December 2014 RMB'000
Contracted for	<b>1,134</b>	4,080

**17 Material related party transactions**

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Short-term employee benefits	<b>845</b>	873
Post-employment benefits	<b>18</b>	17
	<b>863</b>	890

By order of the Board  
**Silverman Holdings Limited**  
**LIU Dong**  
*Chairman*

Shandong, the PRC  
 21 August 2015