# Silverman Holdings Limited
# 銀仕來控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code：1616)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

**SUMMARY**

- Turnover was approximately RMB774.6 million, representing a decrease of approximately 11.1% as compared to that of the last year.
- Gross profit margin was approximately 12.0% of the turnover, representing a decrease of approximately 7.5 percentage points as compared to that of approximately 19.5% for the previous year.
- Gross profit decreased by approximately RMB77.1 million, or approximately 45.3%, to approximately RMB93.2 million for the year ended 31 December 2013.
- Profit attributable to the equity shareholders of the Company was approximately RMB 21.6 million, representing a decrease of approximately 70.9% as compared to that of the previous year.

**DIVIDEND**

- The Board recommends the payment of a final dividend of RMB0.0095 per share.

The board of directors (the "Board") of Silverman Holdings Limited (the "Company") is pleased to announce the audited consolidated annual financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013 (the "Year" or "Period under Review") together with the comparative figures in 2012 as set out below. The consolidated results are audited and have been reviewed by the audit committee ("Audit Committee") of the Group.

## Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013

*(Expressed in Renminbi Yuan)*

| | *Note* | ***2013*** | *2012* |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **Turnover** | *2* | **774,577** | 871,395 |
| Cost of sales | | **(681,352)** | (701,113) |
| **Gross profit** | | **93,225** | 170,282 |
| Other net gains | *3* | **5,762** | 2,228 |
| Distribution costs | | **(13,395)** | (13,038) |
| Administrative expenses | | **(53,657)** | (61,214) |
| **Profit from operations** | | **31,935** | 98,258 |
| Finance income | *4(a)* | **20,075** | 15,277 |
| Finance costs | *4(a)* | **(19,888)** | (22,391) |
| **Profit before taxation** | *4* | **32,122** | 91,144 |
| Income tax | *5* | **(10,551)** | (17,110) |
| **Profit and total comprehensive income for the year** | | **21,571** | 74,034 |
| **Profit and total comprehensive income attributable to equity shareholders of the Company** | | **21,571** | 74,034 |
| **Earnings per share** | | | |
| Basic and diluted | *6* | **RMB0.03** | RMB0.10 |

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 7.

**Consolidated statement of financial position**
**at 31 December 2013**
*(Expressed in Renminbi Yuan)*

| | *Note* | ***2013 RMB'000*** | *2012 RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | | | |
| - Property, plant and equipment | | **537,702** | 379,739 |
| - Interests in leasehold land under operating leases | | **48,375** | 8,789 |
| | | **586,077** | 388,528 |
| Intangible assets | | **12** | 65 |
| Goodwill | | **6,394** | 6,394 |
| Investments in equity securities | | **1,000** | 1,000 |
| Deferred expenses | | **3,103** | - |
| | | **596,586** | 395,987 |
| **Current assets** | | | |
| Inventories | | **163,163** | 162,766 |
| Trade and other receivables | 9 | **156,100** | 161,985 |
| Pledged bank deposits | | **9,826** | 182,628 |
| Cash and cash equivalents | | **102,375** | 136,554 |
| | | **431,464** | 643,933 |
| **Current liabilities** | | | |
| Trade and other payables | *10* | **133,165** | 88,246 |
| Bank loans | | **224,000** | 344,106 |
| Obligations under finance leases | | **22,565** | 15,798 |
| Current taxation | | **4,987** | 6,441 |
| | | **384,717** | 454,591 |
| **Net current assets** | | **46,747** | 189,342 |
| **Total assets less current liabilities** | | **643,333** | 585,329 |

## Consolidated statement of financial position (continued)
## at 31 December 2013
*(Expressed in Renminbi Yuan)*

| | *Note* | ***2013*** | *2012* |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **Non-current liabilities** | | | |
| Obligations under finance leases | | **41,183** | - |
| Deferred tax liabilities | | **750** | 500 |
| | | **41,933** | 500 |
| **Net assets** | | **601,400** | 584,829 |
| **Capital and reserves** | | | |
| Share capital | *11* | **50,577** | 50,577 |
| Reserves | | **550,823** | 534,252 |
| **Total equity** | | **601,400** | 584,829 |

Approved and authorised for issue by the Board on 21 March 2014.

# Consolidated statement of changes in equity
# for the year ended 31 December 2013
*(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 2012** | 68 | - | (909) | 43,821 | (27,377) | 242,500 | 258,103 |
| Profit and total comprehensive income for the year | - | - | - | - | - | 74,034 | 74,034 |
| Waiver of the amount due to the holding company | - | - | - | - | 146,736 | - | 146,736 |
| Shares issuance | 10,151 | 114,805 | - | - | - | - | 124,956 |
| Capitalisation issue | 40,358 | (40,358) | - | - | - | - | - |
| Dividends declared in respect of the current year | - | - | - | - | - | (19,000) | (19,000) |
| Appropriations to statutory reserve | - | - | - | 8,878 | - | (8,878) | - |
| **Balance at 31 December 2012** | 50,577 | 74,447 | (909) | 52,699 | 119,359 | 288,656 | 584,829 |
| **Balance at 1 January 2013** | 50,577 | 74,447 | (909) | 52,699 | 119,359 | 288,656 | 584,829 |
| Profit and total comprehensive income for the year | - | - | - | - | - | 21,571 | 21,571 |
| Dividends declared in respect of the previous year | - | - | - | - | - | (5,000) | (5,000) |
| Appropriations to statutory reserve | - | - | - | 2,609 | - | (2,609) | - |
| **Balance at 31 December 2013** | **50,577** | **74,447** | **(909)** | **55,308** | **119,359** | **302,618** | **601,400** |

**Consolidated cash flow statement**
**for the year ended 31 December 2013**
*(Expressed in Renminbi Yuan)*

| | *Note* | ***2013*** | *2012* |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **Operating activities** | | | |
| Profit before taxation | | **32,122** | 91,144 |
| Adjustments for | | | |
| Depreciation | *4(c)* | **64,895** | 59,758 |
| Amortisation | *4(c)* | **1,028** | 263 |
| (Reversal of impairment) / impairment losses on other receivables | *4(c)* | **(841)** | 5,000 |
| Interest income | *4(a)* | **(3,978)** | (6,157) |
| Finance costs | *4(a)* | **17,817** | 22,020 |
| Net (gain) / loss on sale of property, plant and equipment | *3* | **(56)** | 11 |
| | | **110,987** | 172,039 |
| **Changes in working capital** | | | |
| Increase in inventories | | **(397)** | (61,977) |
| Increase in trade and other receivables | | **(11,846)** | (20,361) |
| Increase / (decrease) in trade and other payables | | **13,575** | (5,662) |
| (Increase) / decrease in guarantee deposits for issuance of commercial bills and bank acceptance | | **(8,170)** | 12,427 |
| **Cash generated from operations** | | **104,149** | 96,466 |
| Income tax paid | | **(11,755)** | (22,454) |
| **Net cash generated from operating activities** | | **92,394** | 74,012 |

## Consolidated cash flow statement (continued)
## for the year ended 31 December 2013
*(Expressed in Renminbi Yuan)*

| | ***2013*** | *2012* |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Investing activities** | | |
| Capital expenditures | **(139,267)** | (56,808) |
| Advance to an entity | **-** | (5,000) |
| Repayment of advance to an entity | **500** | - |
| Proceeds from disposal of property, plant and equipment | **85** | 10 |
| Decrease / (increase) in guarantee deposits for bank loans | **180,972** | (6,675) |
| Interest received | **3,978** | 6,157 |
| **Net cash generated from/(used in) investing activities** | **46,268** | (62,316) |
| **Financing activities** | | |
| Proceeds from share issuance | **-** | 124,956 |
| Proceeds from bank and other loans | **345,570** | 307,105 |
| Repayment of bank and other loans | **(495,594)** | (366,514) |
| Repayment to the holding company | **-** | (29,897) |
| Borrowing costs paid | **(17,817)** | (22,020) |
| Dividends paid to equity holders | **(5,000)** | (19,000) |
| **Net cash used in financing activities** | **(172,841)** | (5,370) |
| **Net (decrease) / increase in cash and cash equivalents** | **(34,179)** | 6,326 |
| Cash and cash equivalents at 1 January | **136,554** | 130,228 |
| **Cash and cash equivalents at 31 December** | **102,375** | 136,554 |

Notes:
*(Expressed in Renminbi Yuan )*

## 1 Basis of preparation

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (collectively referred to as the "Group").

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").

The financial statements is 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.

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.

### Changes in accounting policies

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

- Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 11, *Joint arrangements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- Revised IAS 19, *Employee benefits*

## 1 Basis of preparation (continued)

- *Annual Improvements to IFRSs 2009-2011 Cycle*

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

These developments have had no material impact on the contents of the Group's financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2 Turnover

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

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

| | ***2013*** | *2012* |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Sales of textile products: | | |
| - Dobby grey fabrics | **526,771** | 647,892 |
| - Jacquard grey fabrics | **210,652** | 195,237 |
| - Others | **12,312** | 18,100 |
| | **749,735** | 861,229 |
| Processing services income | **24,842** | 10,166 |
| | **774,577** | 871,395 |

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

| | ***2013*** | *2012* |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| The PRC | **665,930** | 810,997 |
| Overseas | **108,647** | 60,398 |
| | **774,577** | 871,395 |

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2013. During the year ended 31 December 2013, revenue from sales of textile products to this customer amounted to approximately RMB128,078,000 (2012: RMB181,319,000). During the year ended 31 December 2012, there were two customers with whom transactions have exceeded 10% of the Group's revenue which amounted to approximately RMB 181,319,000 and RMB 89,165,000 respectively.

## 3 Other net gains

| | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|
| Net gain / (loss) on sale of scrap materials | **2,498** | (362) |
| Net gain / (loss) on disposal of property, plant and equipment | **56** | (11) |
| Net gain on forward exchange contracts | **-** | 629 |
| Government grants | **3,607** | 2,416 |
| Others | **(399)** | (444) |
| | **5,762** | 2,228 |

## 4 Profit before taxation

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

(a) Finance income and finance costs

| | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|
| ***Finance income*** | | |
| Interest income on bank deposits | **(3,978)** | (6,157) |
| Foreign exchange gain arising on settlement or translation of foreign currency monetary items | **(16,097)** | (9,120) |
| | **(20,075)** | (15,277) |
| ***Finance costs*** | | |
| Interest on bank and other borrowings wholly repayable within five years | **16,252** | 19,952 |
| Less: interest capitalised into property, plant and equipment* | **(1,427)** | - |
| Interest expenses | **14,825** | 19,952 |
| Finance charges on obligations under finance leases | **1,565** | 2,068 |
| Other finance charges | **3,498** | 371 |
| | **19,888** | 22,391 |

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

## 4 Profit before taxation (continued)

(b) Staff costs

| | ***2013*** | *2012* |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Salaries, wages and other benefits | **112,128** | 91,774 |
| Contributions to defined contribution retirement plan | **3,028** | 2,652 |
| | **115,156** | 94,426 |

Pursuant to the relevant labour 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 2013 and 2012. The relevant local government authorities are responsible for the entire pension obligations payable to retired employees. The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the annual contributions described above.

(c) Other items

| | ***2013*** | *2012* |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Depreciation | **64,895** | 59,758 |
| Amortisation | | |
| - leasehold land | **975** | 198 |
| - intangible assets | **53** | 65 |
| (Reversal of impairment) / impairment losses on other receivables | **(841)** | 5,000 |
| Auditors' remuneration – audit services | **1,000** | 800 |
| Cost of inventories | **680,912** | 702,528 |

## 5 Income tax

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

| | ***2013*** | *2012* |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Current tax** | | |
| PRC Enterprise Income Tax and PRC dividend withholding tax for the year | **10,301** | 20,634 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **250** | (3,524) |
| | **10,551** | 17,110 |

(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 2013 and 2012, Hong Kong Profits Tax rate is 16.5%. The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.

(iii) During 2013, the Group's Chinese subsidiaries are subject to income tax rate of 25% (2012: 25%) except as follows.

During the year ended 31 December 2012, Zibo Yinshilai Textile Co., Ltd., a PRC subsidiary of the Company, was granted the status of a "High and New Technology Enterprise" and, accordingly, entitles to preferential PRC Enterprise Income Tax rate of 15% in 2012.

During the year ended 31 December 2013, Zibo Yinshilai Textile Co., Ltd., has not passed the "High and New Technology Enterprise" status review in 2013. As a result, Zibo Yinshilai Textile Co., Ltd., would not be qualified to entitle to the preferential PRC Enterprise Tax rate of 15% from 2013 onwards (its applicable income tax rate would increase from 15% to 25%).

## 5 Income tax (continued)

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

Zibo Huiyin Textile Co., Ltd., a PRC subsidiary of the Company and a production-type foreign investment enterprise, entitled to a tax holiday of 2-year full exemption followed by 3-year 50% reduction in the income tax rate commencing from its first profit making year from a PRC tax perspective. Zibo Huiyin Textile Co., Ltd., started its tax holiday in 2008. As such, it is exempted from PRC income tax from 2008 to 2009, and is subject to income tax at 12.5% from 2010 to 2012 and at 25% thereafter.

(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:

| | ***2013*** | *2012* |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit before taxation | **32,122** | 91,144 |
| Notional tax on profit before taxation, calculated at the rates applicable to the profits in the jurisdictions concerned | **9,956** | 25,995 |
| Effect of tax benefits | **-** | (13,746) |
| Effect of non-deductible expenses | **827** | 2,511 |
| Effect of entities not subject to income tax | **(982)** | (50) |
| PRC dividend withholding tax | **750** | 2,400 |
| Income tax expense | **10,551** | 17,110 |

## 6 Earnings per share

The calculation of basic and diluted earnings per share for the year ended 31 December 2013 is based on the profit attributable to equity shareholders of the Company of RMB21,571,000 (2012: RMB74,034,000) and the weighted average of 800,000,000 shares (2012: 715,761,311 shares) in issue during the year.

Weighted average number of ordinary shares:

| | ***2013 Number of shares*** | *2012 Number of shares* |
|---|---|---|
| Issued ordinary shares at 1 January | **800,000,000** | 10,000 |
| Effect of share sub-division | **-** | 990,000 |
| Effect of share issue | **-** | 76,341,311 |
| Effect of capitalisation issue | **-** | 638,420,000 |
| Weighted average number of ordinary shares at 31 December | **800,000,000** | 715,761,311 |

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 2013 and 2012 respectively.

## 7 Dividends

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

| | ***2013 RMB'000*** | *2012 RMB'000* |
|---|---|---|
| Interim dividend declared and paid of RMB nil per ordinary share (2012: RMB0.02375) | **-** | 19,000 |
| Final dividend proposed after the end of the reporting period of RMB0.0095 per ordinary share (2012: RMB0.00625) | **7,600** | 5,000 |
| | **7,600** | 24,000 |

## 7 Dividends (continued)

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

| | ***2013*** | *2012* |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Final dividends in respect of the previous financial year, approved and paid during the year | **5,000** | - |

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

## 8 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 2.

## 9 Trade and other receivables

| | *Note* | ***2013*** | *2012* |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| Trade debtors and bills receivables | *(a) (b) (c)* | **91,198** | 82,027 |
| Deposits, prepayments and other receivables | *(d)* | **68,005** | 79,958 |
| | | **159,203** | 161,985 |
| Deferred expenses expected to be recognised as expense after more than one year | *(d)* | **(3,103)** | - |
| Trade and other receivables expected to be recovered or recognised as expense within one year | | **156,100** | 161,985 |

## 9 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.

| | ***2013*** | *2012* |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current | **87,821** | 79,301 |
| Less than 3 months past due | **1,636** | 2,724 |
| 3 to 6 months past due | **9** | 2 |
| 6 to 12 months past due | **1,732** | - |
| Amounts past due | **3,377** | 2,726 |
| | **91,198** | 82,027 |

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

(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 .

As at 31 December 2013, the Group did not have trade debtors and bills receivables which were individually determined to be impaired (2012: nil).

(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:

| | ***2013*** | *2012* |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Neither past due nor impaired | **87,821** | 79,301 |
| Less than 3 months past due | **1,636** | 2,724 |
| 3 to 6 months past due | **9** | 2 |
| 6 to 12 months past due | **1,732** | - |
| | **91,198** | 82,027 |

## 9 Trade and other receivables (continued)

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

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

| | ***2013*** | *2012* |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Prepayments relating to purchases of raw materials | **32,598** | 48,578 |
| Prepayments relating to purchases of fixed assets | **10,137** | 25,106 |
| Deferred expenses | **4,527** | 340 |
| Value-added tax recoverable | **14,544** | - |
| Other receivables | **6,199** | 5,934 |
| | **68,005** | 79,958 |

## 10 Trade and other payables

| | *Note* | ***2013*** | *2012* |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| Trade creditors and bills payable | *(a)* | **66,957** | 49,210 |
| Receipts in advance | | **12,554** | 13,599 |
| Other creditors and accrued charges | *(b)* | **53,654** | 25,437 |
| | | **133,165** | 88,246 |

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

## 10 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:

| | ***2013*** | *2012* |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Due within 3 months or on demand | **62,614** | 45,851 |
| Due after 3 months but within 6 months | **1,754** | 1,191 |
| Due after 6 months but within 12 months | **2,589** | 2,168 |
| | **66,957** | 49,210 |

(b) Other creditors and accrued charges

| | ***2013*** | *2012* |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Accrued charges | **13,697** | 12,804 |
| Tax payable other than income tax | **1,593** | 5,319 |
| Payables relating to purchases of fixed assets | **29,369** | 3,004 |
| Advance from an entity | **4,979** | - |
| Other payables | **4,016** | 4,310 |
| | **53,654** | 25,437 |

## 11 Share capital

| | ***2013*** | | *2012* | |
|---|---|---|---|---|
| | ***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 | **800,000,000** | **50,577** | 10,000 | 68 |
| Share sub-division | - | - | 990,000 | - |
| Shares issuance | - | - | 160,580,000 | 10,151 |
| Capitalisation issue | - | - | 638,420,000 | 40,358 |
| At 31 December | **800,000,000** | **50,577** | 800,000,000 | 50,577 |

## 11 Share capital (continued)

(a) Share issuance

The Company was incorporated in the Cayman Island on 24 February 2010 with an authorised share capital of USD50,000 divided into 50,000 shares of USD1.00 each. On the same date, one share of USD1.00 was allotted and issued at par. On 18 June 2011, 9,999 shares of USD1.00 each were allotted and issued as fully paid at par.

On 11 July 2012, the Company allotted and issued 160,580,000 shares of USD 0.01 each at the price of HKD1.10 per share, and the listing and dealing in such shares on the Main Board of the Stock Exchange of Hong Kong Limited commenced on 12 July 2012.

(b) Share sub-division

On 26 June 2012, each issued and unissued share of a par value of USD1.00 in the share capital of the Company was sub-divided into 100 shares of a par value of USD0.01 each (the "share sub-division"). As a result of the share sub-division, the authorised share capital of the Company was USD50,000 divided into 5,000,000 shares of a par value of USD0.01 each and the existing issued shares in the issued share capital of the Company became 1,000,000 shares of a par value of USD0.01 each. The authorised share capital of the Company was further increased to USD100,000,000 divided by 10,000,000,000 shares of USD0.01 each by the creation of further 9,995,000,000 shares of USD0.01 each.

(c) Capitalisation issue

On 11 July 2012, the Company capitalised USD6,384,200 standing to the credit of the share premium account of the Company (the "capitalisation issue") by applying such sum in paying up in full at par 638,420,000 shares for allotment and issue to shareholders whose names appear on the register of members of the Company at the close of business on 26 June 2012 in proportion to their then existing holdings in the Company.

## 12 Commitments

Capital commitments outstanding at 31 December 2013 and 2012 not provided for in the consolidated financial statements were as follows:

| | ***2013*** | *2012* |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Contracted for | **15,968** | 9,300 |

## 13 Material related party transactions

The Group has entered into the following material related party transactions during the years ended 31 December 2013 and 2012:

(a) Key management personnel remuneration

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

| | ***2013*** | *2012* |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Short-term employee benefits | **1,801** | 1,679 |
| Post-employment benefits | **33** | 31 |
| | **1,834** | 1,710 |

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

## 14 Immediate and ultimate controlling parties

As at 31 December 2013, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

In 2013, China's textile industry has continued the basic running situation of 2012. Despite of a recovery of the economy of the United States of America (USA) to some extent, the European economy still recovered slowly. In addition, with the impact from the slowdown of domestic economy, continued appreciation of RMB, rising in the labour cost and, in particular, the big price difference between the domestic and overseas cotton, China's textile enterprises encountered great pressure.

According to China Customs Data, the amount of China's export for textile materials and products was approximately USD274.0 billion in 2013, represents an increase of approximately 11.0% as compared to the previous year, which has been recovered in growth as compared to that of 2012. Nevertheless, the monthly growth of the export appeared great fluctuation during the Year, and the export destination regions showed extreme imbalance as well. Take pure cotton grey fabric for example, the aggregate quantity exported for pure cotton grey fabric in China was approximately 2.72 billion meters in 2013, represents an increase of approximately 41.7% as compared to the previous year. Nevertheless, quantity exported to the Asian markets such as Vietnam and Philippines occupied nearly 50% of the total quantity exported which showed that the markets in Europe and USA, as the representatives of high-end textile consumption market, recovered slowly. On the other hand, with the impact of the labour costs and price difference in cotton, the advantages of China's textiles industry are gradually replaced by South-east countries with lower labour cost.

Domestically, according to the data released by the National Bureau of Statistics, the growth of the industrial added value appeared gradual slowdown month by month in 2013. The annual growth was approximately 8.7%, a decrease of approximately 3.5 percentage points as compared to that of 2012. For the product output, the output growth of the main category products generally dropped. The output growth of the main products, such as chemical fiber, yarn, fabric and clothing, has dropped as compared to that of 2012, in which, the output growth of fabric decreased approximately 7 percentage points as compared to that of the previous year. In domestic demand, the aggregate retail sales for clothing, shoes, hat, knitwear and textiles above the limited amount amounted to approximately RMB11.89 trillion, represents an increase of approximately 11.5% as compared to the previous year, which was approximately 6.5% drop in the growth rate as compared to that of 2012 and approximately 1.6 percentage points lower than the growth of aggregate retail sales of national social consuming goods.

In policy aspect, the 18th session of the central committee of the third plenary session released "the Decision of the Committee of Communist Party of China on Comprehensive Deepening Reform of Certain Major Issues"(「中共中央關於全面深化改革若干重大問題的決定」), had great promotion effect on the major problems currently existing in China's textile industry, including raw materials, independent innovative capability, energy conservation and environmental protection, regional structure adjustment and optimization etc. In particular, with the termination of the national cotton storage policy since 2014, the "cotton direct subsidies policy" (「棉花直補政策」)will be implemented, which means the regulation mode will be adjusted from directly intervening the cotton price through administrative means of the government to market regulation. In addition, in order to assist the enterprises to cope with difficulties such as the weak foreign demand and the rising cost, the Chinese government timely issued 12 policy measures to promote the steady growth of the import and export and structure adjustment at the end of July 2013, in order to improve the convenience of trading and strengthen the trade financing support. With gradual effect of these policy and measures and warming demand in domestic and foreign market, the pressure of cost and operation of China's textile enterprises are expected to be gradually relieved.

**BUSINESS REVIEW**

Facing the complex domestic and international economic situation and the increasing uncertainties in 2013, the Group firmly implemented its core strategy and continued to consolidate the development of its principal business. By leveraging on its mature and stable innovation system and advantages of market resources, the Group has maintained 100% of operation rate and realized balance in production and sale in 2013. Furthermore, the Group emphasizd more on the lean management, implemented energy saving measures, optimized the resource mix and strengthened our internal management and costs control in order to alleviate the impact of the adverse factors and maintain its leading position in the designated market. Nevertheless, influenced by aforementioned adverse factors, the average selling price of the textile products of the Company dropped, and the labour cost and research and development expenses of the Company increased, which resulted in a decline in the operating results of the Group. In 2013, one of subsidiaries of the Group, i.e, Zibo Yinshilai Textile Co., Ltd.,（淄博銀仕來紡織有限公司）lost the status of High and New Tech Enterprise, which also imposed certain adverse impact on the operating results of the Group.

During the Period under Review, the Group's main business revenue was approximately RMB774.6 million, representing a decrease of approximately 11.1% as compared with approximately RMB871.4 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 RMB21.6 million, representing a decrease of approximately 70.6% as compared with approximately RMB74.0 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, and the increase in the labour cost and research and development expenses caused by the decline in the international and domestic economy.

The innovative performance of the Group has continued to raise its industry image and social influence and it was once again ranked the $6^{th}$ in "2011-2012 China Top 20 Cotton Textile Industry Competitiveness of Enterprises" (「2011-2012 年度中國棉紡織行業競爭力 20 強企業」). In view of this, Mr. Liu Dong, Chairman of the Board, was awarded the title of "2012 Innovative Person in Textile Industry" (「2012 年紡織行業年度創新人物」) in April 2013. Furthermore, the Group was awarded the first "Mayor Quality Award of Zibo City"(「淄博市市長質量獎」) in March 2013.

## FINANCIAL REVIEW

### Turnover, gross profit and gross profit margin

The table below is an analysis of the Group's turnover, gross profit and gross profit margin of its major product categories for the year ended 31 December 2013 and 2012:

| | For the year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2013** | | | 2012 | | |
| | **Turnover** | **Gross profit** | **Gross profit margin** | Turnover | Gross profit | Gross profit margin |
| **Product** | **RMB'000** | **RMB'000** | **%** | RMB'000 | RMB'000 | % |
| Jacquard grey fabrics | **210,652** | **28,993** | **13.8%** | 195,237 | 43,758 | 22.4% |
| Dobby grey fabrics | **526,771** | **60,042** | **11.4%** | 647,892 | 122,830 | 19.0% |
| Processing service income | **24,842** | **2,386** | **9.6%** | 10,166 | 1,086 | 10.7% |
| Others | **12,312** | **1,804** | **14.7%** | 18,100 | 2,608 | 14.4% |
| Total | **774,577** | **93,225** | **12.0%** | 871,395 | 170,282 | 19.5% |

The gross profit margin of the Group decreased by approximately 7.5 percentage points, from approximately 19.5% for the year 2012 to approximately 12.0% for the year 2013. The decrease of the major products gross profit margins and the overall gross profit margin were mainly due to (i) the decrease of product selling price of the Group and, (ii) the increase in the labour cost compared to that of the previous year. In addition to the costs control, the Group developed the new and special products according to the market demand, will further optimize the product mix, and will implement flexible and effective marketing strategy in order to maximize the Group's gross profit margin.

### Distribution costs

The total distribution costs of the Group increased by approximately 2.8% to approximately RMB13.4 million for the year ended 31 December 2013 from approximately RMB13.04 million in the previous year. Such increase was mainly due to the increases in port surcharges and labour cost when compared to those in the previous year.

### Administrative expenses

For the year ended 31 December 2013, the administrative expenses of the Group was approximately RMB53.7 million, representing a decrease of approximately 12.3% when compared to that of approximately RMB61.2 million in 2012. The decrease was mainly due to the decrease in the non-recurring listing expenses impairment of other receivables and wages and welfare of management in 2013.

**Net finance costs**

During the year ended 31 December 2013, the net finance incomes of the Group were approximately RMB0.19 million, this is due to the decrease in finance cost and the increase of finance income, as compared to that in 2012. For the year ended 31 December 2013, the finance cost of the Group was approximately RMB19.9 million, representing a decrease of approximately RMB2.5 million as compared to approximately RMB22.4 million in 2012. It was mainly due to the decrease in interest expenses resulted from the decrease in bank loans. The finance income was approximately RMB20.1 million, representing an increase of approximately RMB4.8 million as compared to approximately RMB15.3 million in 2012, which was mainly resulted from the increase in the net exchange gains in 2013 as compared to that of 2012.

**Taxation**

Taxation of the Group was decreased by approximately 38.3% from approximately RMB17.1 million in 2012 to approximately RMB10.6 million in 2013. This was mainly due to the decrease in taxable profit and the expiration of tax holding entitled by a subsidiary of the Group during the Period under Review.

**Profit attributable to the equity shareholders of the Company**

For the year ended 31 December 2013, the profit attributable to the equity shareholders of the Company was approximately RMB21.5 million, representing a decrease of approximately 70.9 %, from approximately RMB74.0 million as compared to that of 2012. The decrease was mainly due to the drop of the product selling price, the increase of production costs, the increase of staff wages in 2013. Based on the aforementioned adverse factors, the gross profit margin for the year ended 31 December 2013 dropped to approximately 12.0%, or by 7.5 percentage points, from that of approximately 19.5% in 2012. As a consequence, the gross profit dropped by approximately 45.3%, or approximately RMB77.1 million, to approximately RMB93.2 million for the year ended 31 December 2013 from that of approximately RMB170.3 million in the previous year.

**Liquidity and financial resources**

As at 31 December 2013, cash and cash equivalents of the Group were approximately RMB102.4 million, representing a decrease of approximately 25.0% from approximately RMB136.6 million as at 31 December 2012. The decrease was mainly due to the increase of the intensity in payment collection offset by the Company's investment in the new production line.

For the year ended 31 December 2013, the Group's net cash generated from operating activities was approximately RMB92.4 million (2012: approximately RMB74.0 million), net cash generated from investing activities was approximately RMB46.3 million (2012: net cash used in investing activation was approximately RMB62.3 million) and net cash used in financing activities was approximately RMB172.8 million (2012: approximately RMB5.4 million). Cash and cash equivalents as at 31 December 2013 decreased by approximately RMB34.2 million (2012: increased by approximately RMB6.3 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 2013, the average trade receivables (including bills receivable) turnover period of the Group was approximately 43 days, up from 34 days for the year ended 31 December 2012. The increase was mainly because the Group has granted qualified customers with sound credit records longer credit terms in order to attract more customers' orders.

For the year ended 31 December 2013, inventory turnover period of the Group increased to 86 days from 85 days in the previous year. This was mainly because of the increase in stock level of finished goods. In particular, the finished goods increased to approximately 65.9 million as at 31 December 2013 from approximately RMB60.4 million as at 31 December 2012.

As at 31 December 2013, the Group's borrowings (including obligations under finance lease) of approximately RMB267.7 million (2012: approximately RMB285.0 million) bore fixed interest at rates ranging from 4.5% to 7.1% (2012:3.55% to 7.22%) per annum. As at 31 December 2013, the Group's borrowings of approximately RMB20 million (2012: approximately RMB74.9 million) bore floating interest at rate 6. 0% per annum (2012: 2.95% to 4.55%).

**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 31 December 2013, the debts of the Group were mainly represented by bank borrowings and obligations under finance leases with a total amount of approximately RMB287.7 million (2012: approximately RMB359.9 million). As at 31 December 2013, cash and cash equivalents were approximately RMB102.4 million (2012: approximately RMB136.6 million). As at 31 December 2013, the gearing ratio was approximately 30.8% (2012: approximately 38.1%), which was calculated by dividing total debt (i.e. interest-bearing bank borrowings and obligations under finance lease, after deducting cash and cash equivalents) by total equity.

As at 31 December 2013, the debts of the Group approximately RMB246.6 million (2012: RMB 359.9 million) will become due within a year.

As at 31 December 2013, the Group's cash and cash equivalents were mainly held in Renminbi, Japanese Yen, US dollars, HK dollars and Euro, of which, approximately RMB87.9 million (2012: RMB85.5 million) or 85.8% (2012: 62.6%) of the cash and cash equivalents were held in Renminbi.

**Capital commitments**

Save as disclosed in notes 12, the Group did not have any other significant capital commitments as at 31 December 2013 (2012: Nil).

## Employee and remuneration policy

As at 31 December 2013, the Group had a total of approximately 2,910 employees (2012: 2,420), 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 2013.

For the year ended 31 December 2013, labour costs of the Group (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB115.2 million (2012: approximately RMB94.4 million). The increase of labour costs was mainly due to the Group recruited more staff for the new production line and the increase of wages.

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 2014, 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 repayment period of the import purchases is longer than the period of receiving export trade payments. The Group did not experience any significant difficulties in its operations or liquidity as a result of fluctuations in the currency exchange rates during the Period under Review. The Board believes that the Group will have sufficient foreign currency to meet its requirements.

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

## Contingent liabilities

As at 31 December 2013, the Group did not have any contingent liabilities (2012: 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 RMB50.6 million (2012: RMB68.2 million) to banks as securities for the bank borrowings as at 31 December 2013. Besides, machinery and equipment with net book value of approximately RMB76.2 million (2012: RMB 60.9 million) were held under finance lease as at 31 December 2013.

**Significant investments held**

Save as the investments in equity securities presented in the consolidated statement of financial position, the Group did not hold any significant investment in equity interest in any company during the year ended 31 December 2013.

**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 2013, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

**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 website of the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The above mentioned project was launched and construction began in November 2012.

**EVENTS AFTER THE REPORTING PERIOD**

No significant event took place before the date of this announcement and subsequent to 31 December 2013.

## OUTLOOK

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

The projects regarding the use of the Net IPO proceeds of the Group in July 2012 have been gradually put into production since the fourth quarter of 2013 and are expected to gradually realize profit in 2014. With the marketization process of China's cotton price, the problem of price difference between domestic and oversea cotton which has enormously influenced on the current operation and future development of the Group was expected to be resolved step by step. In future, the Group will continue to focus on its core strategy and further improve its research and development and innovative capability and the technological content of the product. On this basis, the Group intends to submit the application for recognition as a "High and New Technology Enterprise " again for its subsidiaries, i.e, Zibo Yinshilai Textile Co., Ltd., (淄博銀仕來紡織有限公司) and Zibo Huiyin Textile Co., Ltd., (淄博匯銀紡織有限公司) this year. Furthermore, the Group will further explore the potential and strengthen the management; continue to implement energy saving, increase income and reduce expenses in order to improve the Group's profitability.

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

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year end 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## 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 end to 31 December 2013, the Company had adopted and complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except Code Provisions A.1.8 and A.2.1 as more particularly described below.

Code Provision A.1.8 stipulates that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. Up to the date of this 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. 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.

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 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 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 2013, the Board appointed Mr. Chang Tao ("Mr. Chang") as an independent non-executive director as well as the chairman and member of Nomination Committee, a member of each of the Audit Committee 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 from the Listing Date up to 31 December 2013.

## AUDIT COMMITTEE

The Audit Committee established by the Board has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financing reporting matters (including the review of the audited consolidated financial statements of the Company for the Year) in conjunction with the Company's external auditors. 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.

## FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB0.0095 per share (2012: RMB0.00625). 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, 18 July 2014 to the registered shareholders appear in the register of members of the Company on Monday, 30 June 2014. 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 30 June 2014 before payment.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 17 June 2014 to Friday, 20 June 2014, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the Annual General Meeting, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 16 June 2014.

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 27 June 2014 (Friday) to 30 June 2014 (Monday), 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 26 June 2014 (Thursday).

In addition, with effective from 31 March 2014, the address of Tricor Investor Services Limited will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

## ANNUAL GENERAL MEETING

The AGM will be held on 20 June 2014 (Friday). Shareholders should refer to details regarding the AGM in the circular of the Company to be despatched in April 2014 and the notice of the AGM and form of proxy accompanying thereto.

**DISCLOSURE OF INFORMATION**

This annual results announcement and the annual report of the Company will be published on the websites of both the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www. ysltex.com) and shall be despatched to the shareholders timely and properly.

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

Shandong, the PRC
21 March 2014

*As at the date of this announcement, the Board comprises 6 Directors, namely Mr. Liu Dong Mr. Liu Zongjun and Mr. Tian Chengjie as executive Directors; Mr. Zhu Ping, Mr. Lam Kai Yeung and Mr. Chang Tao as independent non-executive Directors.*

*This announcement is prepared in both Chinese and English. In the event of inconsistency, the English text of the announcement shall prevail over the Chinese text.*