China Weaving Materials Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3778

ANNUAL REPORT **2013**

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Zheng Hong (Chairman)
Mr. Zheng Yongxiang

Non-Executive Director
Mr. Sze Irons, JP

Independent non-Executive Directors
Ms. Chan Mei Bo, Mabel
Mr. Nie Jianxin
Mr. Ng Wing Ka

BOARD COMMITTEES

Audit committee
Ms. Chan Mei Bo, Mabel (Chairman)
Mr. Nie Jianxin
Mr. Ng Wing Ka

Remuneration committee
Ms. Chan Mei Bo, Mabel (Chairman)
Mr. Nie Jianxin
Mr. Ng Wing Ka
Mr. Zheng Hong

Nomination committee
Ms. Chan Mei Bo, Mabel (Chairman)
Mr. Nie Jianxin
Mr. Ng Wing Ka
Mr. Zheng Hong

COMPANY SECRETARY

Mr. Cheung Chi Fai Frank

AUTHORISED REPRESENTATIVES

Mr. Zheng Hong
Mr. Cheung Chi Fai Frank

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS IN THE PRC

Fengtian Development Zone
Fengxin County
Jiangxi Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 806, 8/F., AXA Centre
151 Gloucester Road
Wanchai, Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Orrick, Herrington & Sutcliffe

As to PRC law:
Jiangxi Tian Yi Law Offices

AUDITOR

Deloitte Touche Tohmatsu

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of Communications Limited
(Nanchang Donghu Sub-branch)
China CITIC Bank
(Nanchang Branch)
China Construction Bank Corporation
(Fengxin Sub-branch)
China Merchants Bank Company Limited
(Changbei Sub-branch)
Industrial and Commercial Bank of China Limited
(Fengxin Sub-branch)
Nanyang Commercial Bank (China) Limited
(Shenzhen Branch)
Bank of Communications, Hong Kong Branch
Bank of China (Hong Kong) Limited

COMPANY WEBSITE

www.chinaweavingmaterials.com

STOCK CODE

3778

Chairman's Statement

In 2013, the textile industry in the PRC continued to encounter adversity arising from three major challenges: (i) weak overseas and domestic demand due to sluggish European and US economies and a slowing domestic economy; (ii) disparity in domestic and international cotton prices due to the control by the PRC government over both the prices and import volume of overseas cotton; and (iii) increasing manufacturing costs in the PRC.

Despite the challenging market conditions, the Group managed to increase its profitability even the sales volume of the Group decreased from approximately 61,044 tonnes for the year ended 31 December 2012 to approximately 59,422 tonnes for the year ended 31 December 2013. The production amount of the Group increased from approximately 61,502 tonnes for the year ended 31 December 2012 to approximately 61,849 tonnes for the year ended 31 December 2013. The production utilization rate in 2013 was over 91% and product portfolio of the Group also increased to around 40 types.

Looking forward, the US economy has showed signs of improvement but the European economies appear to remain sluggish. The PRC economy appeared to have avoided a hard landing. The PRC has achieved a growth rate for GDP for 2013 of 7.7% and the PRC government has been proceeding with urbanization which has a pulling effect on domestic consumption. Amidst such background, the Group expects the demand for textile in the PRC to improve moderately. The Group expects that the price of cotton will continue to be influenced by various factors including climates, amount of funds investing in commodities, demand from the textile industry and more importantly, the policies adopted by the PRC government. With the uncertainty arising from potential policy reform on cotton reserve or subsidies, it is difficult to anticipate their impact on the yarn market upon their implementation. However, if new government policies could eliminate or lessen the price disparity between domestic and overseas cotton, the Group believes it would be beneficial to the PRC textile industry. The increasing manufacturing cost arising from increased labour cost, utility cost and government levies has been a serious concern for domestic manufacturers for the past few years. The Group will tackle the escalating costs by continuous improvement in production efficiency by means of improvement in production process, enhancement of automation, continuous training of workers, introduction of advanced and energy efficient machinery.

The Group is making good process on its expansion plan, as the construction of a new workshop ("**Workshop One**") and other auxiliary building have been completed. The installation of approximately 31,000 spindles, representing over 60% of the planned capacity of approximately 50,000 spindles, has been completed as at the end of 2013 and production has commenced. Upon completion of the installation of the remaining planned capacity of approximately 20,000 spindles in Workshop One, the Group's production capacity will be increased from approximately 360,000 spindles as at year end of 2013 to approximately 380,000 spindles. The Group is also proceeding with the installation of open-end spun production facilities and expects the installation of such facilities to be completed in the second quarter of 2014.

Given the current difficult conditions in the textile industry, the Group considers there could be opportunities for appropriate acquisitions at reasonable prices. The Group would consider such opportunities should they arise.

I am confident about the future as the Group will benefit from the enlarged product portfolio and increased economy of scale as a result of the expansion of the production capacity.

On behalf of the Board, I would like to express my sincere gratitude to the Group's management and staff members for their dedication and hard work, our customers for their confidence and support for our products, our shareholders for their trust and support and various government bodies for their support.

Zheng Hong
Chairman
Hong Kong, 21 March 2014

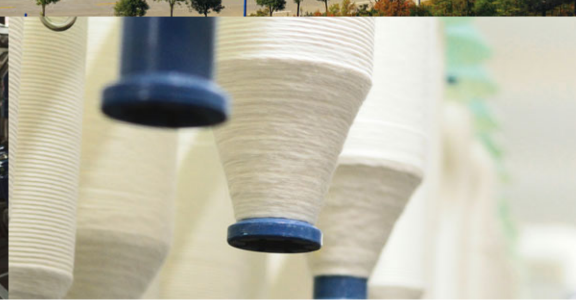
Management Discussion and Analysis

MARKET OVERVIEW

In 2013, the international economic conditions remained challenging. The growth of the gross domestic product (the "**GDP**") in the United States of America (the "**US**") was 1.9% per annum while the GDP growth in the European Union was approximately 0.1% per annum. The sovereign debt crisis in the Euro zone continued to affect the economies of most European countries. The challenging international economic environment has affected local demand in the People's Republic of China (the "**PRC**") as well as the PRC's export.

On the domestic side, economic growth in the PRC continued to show signs of slowing down in 2013. The GDP growth in the PRC decreased from 7.8% per annum for the year 2012 to 7.7% per annum in 2013, while the Consumer Price Index in the PRC increased by approximately 2.6% in 2013.

The PRC government has been trying to eliminate excessive production capacities in the economy and facilitate transition of the economy. It has adopted a prudent monetary policy since mid-2010 in order to avoid excessive lending by banks in the PRC. The People's Bank of China (the "**PBOC**") has engaged in open market operation with caution and has not loosened money supply by reducing the bank loan base rate or adjusting the mandatory reserve ratio since mid-2012. The benchmark loan interest rate for six months to one year term remained at 6.00% per annum since July 2012 and the mandatory reserve ratio for larger financial institution remained at 20.0% since May 2012. The above mentioned policies has tightened the liquidity in the capital market and made it difficult for businesses in the PRC to obtain funds.



The complicated international environment and tight liquidity in the PRC have affected many industries, including the textile industry. The rising domestic production costs in the PRC have also presented challenges to the industry and the increases of production costs have become a norm. In order to protect the interests of local cotton farmers, the PRC government continued to intervene in the cotton market in 2013 by exercising control over prices of domestic cotton and volume of cotton imported from overseas with lower selling prices. Cotton prices in the PRC hovered at relatively high price levels during the year ended 31 December 2013 as compared with international prices. As a result, domestic cotton yarn manufacturers had to bear higher raw material cost. On the other hand, for the year ended 31 December 2013, the selling prices of yarn products were generally depressed as a result of both weak demand and competition from imported yarn products which were able to take advantage of lower international cotton prices.

BUSINESS REVIEW

Despite the challenging market conditions in 2013, the sales volume of the Group only slightly decreased by 2.7% from approximately 61,044 tonnes for the year ended 31 December 2012 to approximately 59,422 tonnes for the year ended 31 December 2013. The production volume of the Group increased by 0.6% from approximately 61,502 tonnes for the year ended 31 December 2012 to approximately 61,849 tonnes for the year ended 31 December 2013. The revenue of the Group decreased by 4.2% to approximately RMB880.3 million for the year ended 31 December 2013 as compared to RMB918.5 million for the year ended 31 December 2012, as a result of decreased sales volume and average selling prices of the Group's yarn products. The decrease in the Group's sales volume was mainly due to the change in sales strategy of the Group to pursue higher margin. The decrease in the average selling prices of the Group's yarn products was mainly due to the co-relation effect of lower costs of raw materials. The gross profit and the profit attributable to the owners of the Company for the year ended 31 December 2013 were approximately RMB57.8 million and approximately RMB21.0 million, respectively.

FINANCIAL REVIEW

Turnover

Turnover of the Group for the year ended 31 December 2013 was approximately RMB880.3 million, representing a decrease of approximately RMB38.2 million, or 4.2%, as compared to that of the year ended 31 December 2012. Sales of polyester yarn, polyester-cotton blended yarn and cotton yarn accounted for approximately 50.8% (2012: 49.8%), 43.2% (2012: 44.2%) and 6.0% (2012: 6.0%) of total sales of the Group for the year ended 31 December 2013, respectively. The decrease in the turnover of the Group for the year ended 31 December 2013 was mainly attributable to i) decrease in sales volume from approximately 61,044 tonnes for the year ended 31 December 2012 to approximately 59,422 tonnes for the year ended 31 December 2013 and ii) the decrease in average unit selling prices of the Group's yarn products. The overall average selling price of yarn products of the Group decreased by approximately 1.6% from approximately RMB15,047 per tonne for the year ended 31 December 2012 to approximately RMB14,814 per tonne for the year ended 31 December 2013.

The selling prices of yarn products have a positive correlation with that of raw materials namely, polyester staple fibre and raw cotton. The Group sets the prices of its yarn products based on a variety of factors, including raw material prices, production costs and market conditions, inventory level and the quality of the yarn products required by the Group's customers. As polyester staple fibres are crude oil-based commodities, the prices of polyester yarns and polyester-cotton blended yarns are indirectly affected by the fluctuations in crude oil prices. The Group adjusts the selling prices of its yarn products from time to time considering the fluctuation in its raw material costs. In addition, the Group also monitors the movement of international and domestic raw cotton prices and members from the management, sales department and procurement department meet on a frequent basis to review the selling prices of its yarn products in order to respond to the changes of the various factors affecting its selling price. The average unit purchase prices of polyester staple fibre and raw cotton were lower in 2013 than in 2012 and the Group lowered the prices of its various yarn products accordingly during this period.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased by approximately 13.7 million or 31.1% from RMB44.1 million for the year ended 31 December 2012 to RMB57.8 million for the year ended 31 December 2013. The gross profit margin of the Group increased from 4.8% for the year ended 31 December 2012 to 6.6% for the year ended 31 December 2013. The higher gross profit margin recorded for the year ended 31 December 2013 was mainly attributable to the lower cost of raw material as a result of the decrease in the Group's average procurement costs for cotton and polyester staple fibre during 2013 as compared to that of 2012, while the Group has generally been able to sustain the selling prices of its yarn products.

The lower market prices of polyester staple fibre in 2013 were mainly due to a weak polyester market as a result of sluggish international and domestic economy in the PRC and overcapacity in the polyester industry. The average prices of domestic cotton in PRC in 2013 were slightly lower than that of 2012. In addition, the Group has been able to obtain a certain amount of import quota from the PRC government for importing cotton from overseas. The import quota enabled the Group to import overseas cotton, which have been trading at substantially lower prices than that of domestic cotton in the PRC. The above mentioned factors contributed to lower average procurement prices of raw materials for the Group for 2013.

Other Income

Other income of the Group decreased from approximately RMB23.4 million for the year ended 31 December 2012 to approximately RMB21.2 million for the year ended 31 December 2013, representing a decrease of 9.4% or approximately RMB2.2 million. The decrease in other income was mainly due to decrease in other government grants and interest income. Such decrease was partly offset by an increase in income from scrap sales.

Distribution and Selling Expenses

Distribution and selling expenses of the Group decreased from approximately RMB13.4 million for the year ended 31 December 2012 to approximately RMB11.9 million for the year ended 31 December 2013, representing a decrease of approximately RMB1.5 million, or 11.1%. Distribution and selling expenses as a percentage of the turnover of the Group was approximately 1.4% for the year ended 31 December 2013 (2012: 1.5%). The decrease in the Group's distribution and selling expense was mainly due to the credit of transport subsidy of approximately RMB1.2 million from the PRC government in respect of cotton purchased from Xinjiang, PRC in 2013 (2012: nil) and decrease in sales volume from approximately 61,044 tonnes for the year ended 31 December 2012 to approximately 59,422 tonnes for the year ended 31 December 2013.

Administrative Expenses

Administrative expenses of the Group decreased from approximately RMB23.1 million for the year ended 31 December 2012 to approximately RMB22.7 million for the year ended 31 December 2013, representing a decrease of 1.7% or approximately RMB0.4 million. Administrative expenses as a percentage of the turnover of the Group was approximately 2.6% for the year ended 31 December 2013 (2012: 2.5%). The decrease in the Group's administrative expenses was mainly due to less professional fees incurred in the Hong Kong office.

Finance Cost

Finance cost of the Group for the year ended 31 December 2013 was approximately RMB11.2 million, representing a decrease of approximately RMB2.3 million, or 17.0%, as compared to that of the year ended 31 December 2012. The decrease in the Group's finance cost was mainly due to the increase in capitalization of interest expense for construction in progress of approximately RMB1.8 million from approximately RMB0.9 million for the year ended 31 December 2012 to approximately RMB2.7 million for the year ended 31 December 2013.

Income Tax Expense

The Group's effective income tax rate for the year ended 31 December 2013 was approximately 36.6%, as compared to 93.4% for the year ended 31 December 2012. The decrease in effective income tax rate of the Group was mainly due to i) the lower provision for deferred tax in respect of the undistributed earnings of the Company's subsidiary in the PRC; and ii) the absence of payment for the withholding tax on the distribution of earnings of the Company's subsidiary in the PRC as there was no such distribution in 2013.

Profit Attributable to Owners of the Company and Net Profit Margin

Profit attributable to owners of the Company for the year ended 31 December 2013 was approximately RMB21.0 million, representing an increase of approximately RMB19.9 million, or 18.1 times, as compared to that of the year ended 31 December 2012. The net profit margin of the Group for the year ended 31 December 2013 was approximately 2.4%, representing an increase of 2.3 percentage points as compared to approximately 0.1% for the year ended 31 December 2012. The increases in the Group's net profit and net profit margin were mainly due to the increase in the gross margin coupled with decrease in distribution and selling expense, administrative expense, finance costs, other expenses and income tax expenses, partially offset by the decrease in other income.

Earnings Per Share

The basic earnings per share of the Company for the year ended 31 December 2013 was approximately RMB2.08 cents, representing an increase of approximately 17.9 times as compared to approximately RMB0.11 cents for the year ended 31 December 2012. The increase in basic earnings per share of the Company was due to the increase in net profit for the year ended 31 December 2013.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in the PRC. During the year ended 31 December 2013, net cash generated from operating activities of the Group amounted to approximately RMB90.1 million (year ended 31 December 2012: RMB21.4 million). The Group had nil time deposits (31 December 2012: RMB5.1 million), cash and bank balances of approximately RMB58.2 million (31 December 2012: RMB86.8 million) and pledged bank deposits of approximately RMB19.2 million (31 December 2012: RMB16.3 million) as at 31 December 2013. The Group's cash and bank balances were mainly held in US Dollars, Hong Kong Dollars and Renminbi.

Capital Structure and Pledge on Assets

The Group's interest-bearing borrowings were made in Renminbi. As at 31 December 2013, the Group's interest-bearing borrowings amounted to approximately RMB208.0 million (31 December 2012: RMB215.0 million), RMB208.0 million (100.0%) of which (31 December 2012: 96.7%) was repayable within one year. These bank borrowings were secured by the Group's land use rights, buildings, plant and machinery with a carrying value of approximately RMB256.8 million in aggregate (31 December 2012: RMB270.8 million).

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank borrowings and bills payable to total assets, was approximately 31.8% as at 31 December 2013 (31 December 2012: 36.0%). Net current liabilities and net assets at 31 December 2013 was approximately RMB189.5 million (31 December 2012: RMB116.9 million) and approximately RMB412.8 million (31 December 2012: RMB399.9 million), respectively. The increase in net current liabilities was mainly due to increase of trade payables, accrual and payable for construction in progress.

Foreign Exchange Exposure

As the Group conducts business transactions principally in Renminbi, the management considered the exchange rate risk at the Group's operational level is not significant. Accordingly, the Group had not used any financial instruments for hedging purposes during the year ended 31 December 2013. The Group has foreign currency deposits, cash and bank balances, other receivables and other payable, which mainly expose the Group to risk in US Dollars and Hong Kong Dollars. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2013 were approximately RMB3.1 million (31 December 2012: RMB6.4 million) and RMB15.8 million (31 December 2012: RMB1.7 million) respectively.

Contingent Liabilities

As at 31 December 2013, the Group did not have any contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 31 December 2013, the Group had a total of 1,769 (31 December 2012: 1,826) employees. Remuneration for employees, including the Directors, is determined in accordance with performance, professional experiences and the prevailing market practices. The Group's management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, discretionary bonus will also be granted to certain employees as awards in accordance with individual performance. The Company has adopted a share option scheme on 3 December 2011, under which the Company may grant options to eligible persons including directors and employees. No share option has been granted pursuant to the scheme since its adoption.

Use of Net Proceeds from Listing

The Group has received approximately HK$152.0 million total net proceeds, after deducting underwriting fee and other related expenses, from the listing of the Company's shares in December 2011 and the partial exercise of over-allotment option in January 2012. These proceeds were applied during the year ended 31 December 2013 in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 12 December 2011 (the "**Prospectus**") and the announcement issued by the Company on Change in Use of Proceed dated 23 August, 2013 as follows:

	Net Proceeds (HK$ million)		
	Available	**Utilised**	**Unutilised**
Equipment and machinery for the production of combed fine cotton yarn of approximately 50,000 spindles	62.2	62.2	–
Equipment and machinery for the production of open-end spun yarn of approximately 10,000 spindles	12.5	7.7	4.8
Construction of new production facilities, not including the cost of land use rights	60.6	60.6	–
Enhance marketing network, brand awareness and reputation	1.5	1.5	–
Working capital and general corporate purposes	15.2	15.2	–
Total	152.0	147.2	4.8

The Group has deposited the unutilized proceeds in licensed banks in Hong Kong and PRC.

PROSPECT

In 2013, the textile industry in the PRC continued to encounter adversity arising from three major challenges: (i) weak overseas and domestic demand due to sluggish European and US economies and a slowing domestic economy; (ii) disparity in domestic and international cotton prices due to the control by the PRC government over both the prices and import volume of overseas cotton; and (iii) increasing manufacturing costs in the PRC.

Despite the challenging market conditions, the Group managed to increase its profitability even the sales volume of the Group decreased from approximately 61,044 tonnes for the year ended 31 December 2012 to approximately 59,422 tonnes for the year ended 31 December 2013. The production amount of the Group increased from approximately 61,502 tonnes for the year ended 31 December 2012 to approximately 61,849 tonnes for the year ended 31 December 2013.

Looking forward, the US economy has showed signs of improvement but the European economies appear to remain sluggish. The PRC economy appeared to have avoided a hard landing. The PRC has achieved a growth rate for GDP for 2013 of 7.7% and the PRC government has been proceeding with urbanization which has a pulling effect on domestic consumption. Amidst such background, the Group expects the demand for textile in the PRC to improve moderately. The Group expects that the price of cotton will continue to be influenced by various factors including climates, amount of funds investing in commodities, demand from the textile industry and more importantly, the policies adopted by the PRC government. With the uncertainty arising from potential policy reform on cotton reserve or subsidies, it is difficult to anticipate their impact on the yarn market upon their implementation. However, if new government policies could eliminate or lessen the price disparity between domestic and overseas cotton, the Group believes it would be beneficial to the PRC textile industry. The increasing manufacturing cost arising from increased labour cost, utility cost and government levies has been a serious concern for domestic manufacturers for the past few years. The Group will tackle the escalating costs by continuous improvement in production efficiency by means of improvement in production process, enhancement of automation, continuous training of workers, introduction of advanced and energy efficient machinery.

The Group is making good process on its expansion plan, as the construction of the Workshop One and other auxiliary building have been completed. The installation of approximately 31,000 spindles, representing over 60% of the planned capacity of approximately 50,000 spindles, has been completed as at the end of 2013 and production has commenced. Upon completion of the installation of the remaining planned capacity of approximately 20,000 spindles in Workshop One, the Group's production capacity will be increased from approximately 360,000 spindles as at year end of 2013 to approximately 380,000 spindles. The Group is also proceeding with the installation of open-end spun production facilities and expects the installation of such facilities to be completed in the second quarter of 2014.

Taking into account the benefit from the enlarged product portfolio and increased economy of scale as a result of the planned expansion of the production capacity, the Group is confident about its future. The Group also strives to be well positioned to take advantage of any positive outlook in the textile industry given its scale of production, strong brand recognition and professional management.

Report of the Directors

The directors of the Company (the "**Directors**") are pleased to present their report and the audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of cotton, polyester and polyester-cotton blended yarns. Details of principal activities of the principal subsidiaries are set out in note 39 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The Group's profit for the year ended 31 December 2013 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 35 to 37 and note 37 to the consolidated financial statements.

DIVIDEND

The board of Directors of the Company (the "**Board**") has recommended the payment of a dividend of HK1.0 cent per share of the Company in respect of the year ended 31 December 2013.

FINANCIAL SUMMARY

A summary of the financial information of the Group for the last five financial years (including the year ended 31 December 2013) is set out on page 80 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company and the Group's share capital during the year are set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association adopted on 3 December 2011 and as amended from time to time (the "**Articles**") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company's during the year ended 31 December 2013.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statements of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Group's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB116.1 million.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2013, the Group did not make any charitable contribution.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2013, sales to the Group's five largest customers accounted for 9.8% of the total sales of the Group for 2013 and the sales to the largest customer included therein amounted to 3.0% of the total sales of the Group for the same period.

Purchases from the Group's five largest suppliers accounted for 73.9% of the total purchases of the Group for the year ended 31 December 2013 and the purchase from the Group's largest supplier included therein amounted to 23.0% of the total purchases of the Group for the same period.

None of the Directors or any of their associates or any substantial shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company as at 31 December 2013 were:

Executive Directors:

Mr. Zheng Hong (Chairman)
Mr. Zheng Yongxiang

Non-Executive Director:

Mr. Sze Irons, JP

Independent Non-Executive Directors:

Ms. Chan Mei Bo, Mabel
Mr. Nie Jianxin
Mr. Ng Wing Ka

Pursuant to Article 84 of the Company's Article, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation.

By virtue of Article 84 of the Company's Articles, all the directors who retire at the forthcoming annual general meeting (the "**Annual General Meeting**"), being eligible, will offer themselves for re-election at Annual General Meeting.

As such, Mr. Zheng Yongxiang and Ms. Chan Mei Bo, Mabel will retire from office as directors at the forthcoming Annual General Meeting and will offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 30 to 32 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 22 December 2011 and may be terminated by not less than three months' prior notice in writing served by either party on the other.

Each of the non-executive Director and independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from 3 December 2011 and may be terminated by not less than one month's prior notice in writing served by the Company.

The details of the remuneration of each of the directors are revealed on note 11 to the consolidated financial statements.

No director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors are subject to retirement by rotation at least once every three years as required by the Articles.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence from the Group. Based on such confirmations, the Company consider that each of such directors to be independent from the Group for the purpose of Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2013.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**") which were notified to the Company and the Stock Exchange under the provisions of Divisions 7 and 8 of Part XV 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 for Securities Transactions by Directors of Listed Companies (the "**Model Code**"), are set out below:

Long positions in ordinary shares of the Company

Name of Director	Capacity/ Nature of Interest	Number of Shares	Approximate Percentage of Interest in the Company
Mr. Zheng Hong	Interest of a controlled corporation	467,550,000[(1)] (long position)	46.18%
Mr. Sze Irons, JP	Interest of a controlled corporation	122,850,000[(2)] (long position)	12.13%
Mr. Zheng Yongxiang	Beneficial owner	19,624,000 (long position)	1.94%

Notes:

(1) These Shares are held by Popular Trend Holdings Limited ("Popular Trend"), the entire issued share capital of which is owned by Mr. Zheng Hong.

(2) These Shares are held by Flourish Talent Group Limited ("Flourish Talent"), the entire issued share capital of which is owned by Mr. Sze Irons, JP.

Save as disclosed above, as at the date of this report, none of the directors had registered on interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company has a share option scheme (the "**Scheme**") which has adopted pursuant to a resolution of all shareholders passed on 3 December 2011 and adopted by a resolution of the board of directors on 3 December 2011. The purpose of the Scheme is established to recognise and acknowledge the contributions the eligible participants had or may have made to the Group. The Scheme became effective on 22 December 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption of the scheme. The terms of the Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

Eligible participants of the Scheme include any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors (including non-executive director and independent non-executive directors) of the Company or any of its subsidiaries; and any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries.

As at the date of this report, the total number of Shares of the Company available for issue under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (the "**Hong Kong Public Offer**") and the conditional placing by the international underwriters of the international placing shares (the "**International Placing**") (the "**Global Offering**"), being 100,000,000 Shares. Subject to the issue of a circular by the Company and the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the board of directors may:

(i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to eligible participants specifically identified by the Board.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by our Company; and (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company (as defined under the Listing Rules), or to any of their respective associates (as defined under the Listing Rules), is required to be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director or any of their respective associates of the Company, (i) representing in aggregate over 0.1%, or such other percentage as may from time to time provided under the Listing Rules, of the Shares in issued on the date of grant; and having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets at the date of each grant, are subject to issue of a circular and shareholder's approval in general meeting by way of a poll.

The offer of a grant of share options may be accepted by a participant not later than 30 days after the date of offer, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

The subscription price for Shares under the Scheme shall be a price determined by the board of directors in its absolute discretion shall determine, save such price will not be less than the highest of:

i. the official closing price of the Shares as stated in the daily quotation sheets on the date of the offer of the grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

ii. the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

iii. the nominal value of a Share.

The exercise period for the share options granted is determined by the board of directors in its absolute discretion, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event shall not exceed 10 years from the date on which the shares commence listing on the Main Board of the Stock Exchange.

Subject to the earlier termination of the Scheme in accordance with the Scheme rules, the Scheme will remain effective until 22 December 2021.

No option has been granted under the Scheme as at the date of this report.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURE

Save as disclosed in "Share Option Schemes" above, at no time during the year were rights to acquire benefits by means of the acquisition of share in or debentures of the Company granted to any director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at 31 December, 2013, so far as is known to any director or chief executive of the Company, the persons or corporations (other than director or chief executive of the Company) who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept under section 336 of the SFO are as follows:

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of shareholding in
Popular Trend[(1)]	Beneficial owner	467,550,000 Shares (long position)	46.18%
Flourish Talent[(2)]	Beneficial owner	122,850,000 Shares (long position)	12.13%
Da Yu Investments[(3)]	Beneficial owner	61,425,000 Shares (long position)	6.07%
Mr. Lin Sing Yun[(3)]	Interest of a controlled corporation	61,425,000 Shares (long position)	6.07%

Notes:

1. Popular Trend is wholly-owned by Mr. Zheng Hong.

2. Flourish Talent is wholly-owned by Mr. Sze Irons, JP.

3. Da Yu Investments Limited ("**Da Yu Investments**") is wholly-owned by Mr. Lin Sing Yun ("**Mr. Lin**"). For the purpose of Part XV of the SFO, Mr. Lin is deemed to be interested in the Shares held by Da Yu Investments.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contracts of significance have been entered into between the Company or any of its subsidiaries and the controlling shareholders during the year ended 31 December 2013.

NON-COMPETE UNDERTAKINGS

Each of the controlling shareholders, being Popular Trend Holdings Limited and Mr. Zheng Hong has confirmed to the Company of his/its compliance with the non-compete undertakings that he/it provided to the Company on 3 December 2011. The independent non-executive directors have reviewed the status of the compliance and confirmed that all of these non-compete undertakings have been complied with the controlling shareholders.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2013 and up to and including the date of this annual report.

PENSION SCHEME

The Group has established various welfare plans including the provision of basic pension funds, basic medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the rules and regulations and the existing policy requirements of the PRC and Hong Kong government.

CONNECTED TRANSACTIONS

No connected transaction was entered into or in existence since the Listing Date and up to 31 December 2013.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public since the Listing Date to the date of this report.

DIRECTOR'S INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, subsisted at the end of or at any time during the year 31 December 2013.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period of the Group.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders entitled to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Thursday, 8 May 2014 to Monday, 12 May 2014, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming Annual General Meeting to be held on Monday, 12 May 2014, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 7 May 2014.

For the purpose of determining the Shareholders who are entitled to the proposed Final Dividend, which is subject to the approval by the Shareholders at the Annual General Meeting, the register of members of its Company will be closed from Monday, 19 May 2014 to Wednesday, 21 May 2014, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to the proposed Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 16 May 2014.

AUDITOR

The consolidated financial statements for the year ended 31 December 2013 have been audited by Deloitte Touche Tohmatsu who shall retire at the forthcoming Annual General Meeting of the Company. A resolution will be proposed at the forthcoming Annual General Meeting of the Company to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Zheng Hong
Chairman
Hong Kong, 21 March 2014

Corporate Governance Report

The Board (the "Board') of Directors (the "Directors') of the Company hereby presents this Corporate Governance Report for the year ended 31 December 2013.

A. CODE OF CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2013, the Company has complied with the code provisions of the existing Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

B. DIRECTORS' SECURITIES TRANSACTIONS

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 as the code of conduct governing Directors' securities transactions. The Company confirms that, having made specific enquiry of all the Directors, each of them has complied with the required standard as set out in the Model Code throughout the year ended 31 December 2013.

C. BOARD OF DIRECTORS

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Board Compositions

The Board currently comprises two executive Directors, one non-executive Director and three independent non-executive Directors. The Broad has received from each independent non-executive Director a written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and is satisfied with the independence of the independent non-executive Directors. Under the Company's Articles of Association, every Director is subject to retirement by rotation at least once every three years and their re-election is subject to a vote by the shareholders. All independent non-executive Directors are appointed for a specific terms.

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic and financial policies including dividend policy, material contracts and major investments. All Board members have separate and independent access to the Group's senior management to fulfill their duties. They also have full and timely access to relevant information about the Group and are kept abreast of the conduct, business activities and development of the Group. Independent professional advice can be sought at the Group's expense upon their request.

The Board has three independent non-executive Directors in compliance with Rule 3.10(1) of the Listing Rules that every board of directors of a listed issuer must include at least three independent non-executive Directors. In addition, at least one independent non-executive Director, namely, Ms. Chan Mei Bo, Mabel, possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive Directors, representing more than one-third of the Board in compliance with Rule 3.10A of the Listing Rules.

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 22 December 2011 and may be terminated by not less than three months' prior notice in writing served by either party on the other.

Each of the non-executive Director and independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from 3 December 2011 and may be terminated by not less than one month's prior notice in writing served by the Company.

The Board comprises the following Directors:

Executive Directors:

Mr. Zheng Hong (Chairman)
Mr. Zheng Yongxiang

Non-Executive Director:

Mr. Sze Irons, JP

Independent Non-Executive Directors:

Ms. Chan Mei Bo, Mabel
Mr. Nie Jianxin
Mr. Ng Wing Ka

Chairman and Chief Executive Officer

The Company has appointed Mr. Zheng Hong as the Chairman and Mr. Zheng Yongxiang has assumed the role of the Chief Executive Officer. The roles of the Chairman and the Chief Executive Officer are segregated. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities. The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

Mr. Zheng Hong is the younger brother of Mr. Zheng Yongxiang. Save as disclosed herein, to the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

Meeting Attendance

The attendance of individual members of the Board at Board meetings, meetings of the Board Committees and general meetings during the year ended 31 December 2013, as well as the number of such meetings held, is set out as follows:

	Meetings attended/held				
Name of Director	Board	Remuneration Committee	Nomination Committee	Audit Committee	Annual General meeting
Number of meetings	5	1	1	2	1
Executive Directors:					
Mr. Zheng Hong	5/5	1/1	1/1	–	1/1
Mr. Zheng Yongxiang	5/5	–	–	–	1/1
Non-Executive Director:					
Mr. Sze Irons, JP	5/5	–	–	–	1/1
Independent Non-Executive Directors:					
Ms. Chan Mei Bo, Mabel	5/5	1/1	1/1	2/2	1/1
Mr. Nie Jianxin	5/5	1/1	1/1	2/2	1/1
Mr. Ng Wing Ka	5/5	1/1	1/1	2/2	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of the executive Director during the year.

Board Committees

The Board has established Remuneration Committee, Nomination Committee and Audit Committee (collectively, "**Board Committees**") with defined terms of reference. The terms of reference of the Board Committees are posted on the websites of the Company and Hong Kong Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Remuneration Committee

A remuneration committee was established by the Company on 3 December 2011 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee include reviewing and determining the terms of remuneration packages, bonuses and other compensation payable to our Directors and members of senior management of our Group. The Remuneration Committee is chaired by Ms. Chan Mei Bo, Mabel, an independent non-executive Director, and other members are Mr. Nie Jianxin, Mr. Ng Wing Ka, who are also the independent non-executive Directors and Mr. Zheng Hong, an executive Director.

During the year ended 31 December 2013, one meeting was held by the Remuneration Committee. The Remuneration Committee reviewed and approved the remuneration packages of the Directors and senior management at the meeting. All members of the Remuneration Committee attended the meeting.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2013 is set out below:

Remuneration bands (HK$)	Number of persons
Nil to 1,000,000	3

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in note 12 to the financial statements.

Nomination Committee

A nomination committee was established by the Company on 3 December 2011 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and members of senior management of our Group. The members of the Nomination Committee comprises three independent non-executive Directors, namely, Ms. Chan Mei Bo, Mabel, Mr. Nie Jianxin, Mr. Ng Wing Ka and one executive Director, Mr. Zheng Hong. Ms. Chan Mei Bo, Mabel is the chairman of the Nomination Committee. The terms of reference of the Nomination Committee can be obtained from the Company upon request.

During the year ended 31 December 2013, one meeting was held by the Nomination Committee. The Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and assessed the independence of all the independent non-executive Directors at the meeting. All members of the Nomination Committee attended the meeting.

Audit Committee

An audit committee was established by our Company on 3 December 2011 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and approve our Group's financial reporting process and internal control system. The Audit Committee comprises all independent non-executive Directors, namely, Ms. Chan Mei Bo, Mabel, Mr. Nie Jianxin and Mr. Ng Wing Ka. Ms. Chan Mei Bo, Mabel is the chairman of the Audit Committee.

During the year ended 31 December 2013, the Audit Committee had two meetings and performed the following works:

- Review of the annual financial results for the year ended 31 December 2012 and interim financial results for the six months ended 30 June 2013 and review of the accounting principles and practices adopted by the Group;

- Meeting and discussion with external auditor on matters arising from the annual audit and interim review of the financial statements of the Group;

- Review of report prepared by external auditor on matter arising from the annual audit and interim review of the financial statements of the Group;

- Review and discussion with the external auditor on the internal control systems of the Group.

All members of the Audit Committee attended the two meetings.

The Group's audited consolidated results for the year ended 31 December 2013 has been reviewed by the Audit Committee of the Company.

Training for Directors

During the year ended 31 December 2013, the Directors participated in the following trainings:

	Types of training
Executive Directors:	
Mr. Zheng Hong	A, C
Mr. Zheng Yongxiang	A, C
Non-Executive Director:	
Mr. Sze Irons, JP	A, C
Independent Non-Executive Directors:	
Ms. Chan Mei Bo, Mabel	B, C
Mr. Nie Jianxin	C
Mr. Ng Wing Ka	B, C

A: attending training sessions organized by professional firms
B: attending training sessions required by the relevant professional bodies of which they are members
C: reading newspapers, journals and updates distributed by the Group relating to economy, general business and regulatory matters

Company Secretary

Mr. Cheung Chi Fai, Frank, the Company Secretary of the Company, is a full time employee of the Group. During the year ended 31 December, 2013, Mr. Cheung has complied with Rule 3.29 of the Listing Rules in relation to taking of relevant professional training.

Board Diversity Policy

Pursuant to the CG Code, the Board adopted a board diversity policy (the "Board Diversity Policy") on 23 August 2013. The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

D. FINANCIAL REPORTING AND INTERNAL CONTROLS

Financial Reporting

The Directors acknowledge their responsibility for preparing the Group's financial statements which give a true and fair view and are in accordance with appropriate International Financial Reporting Standards. Appropriate accounting policies are being selected and applied consistently.

The Directors consider that the Group has adequate resources to continue in business for the foreseeable future and are not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The responsibilities of the external auditor with respect to financial reporting are set out in the Independent Auditors' Report on page 33.

Auditor's Remuneration

During the year ended 31 December 2013, the Group has incurred auditor's remuneration in respect of review and audit services of approximately RMB288,000 and RMB1,199,000 respectively, which was paid or payable to the Company's auditor, Messrs Deloitte Touche Tohmatsu.

Internal Control

The Group's internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorized use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss rather than the elimination of risks associated with its business activities.

The Board is responsible for maintaining an adequate system of internal control for the Group and the Directors has conducted a review of its effectiveness during the year. Such review covered all material controls, including financial, operational and compliance controls and risk management functions. During the year, the Group also engaged an external consultant to conduct a review on the internal control systems of the Group. The review did not identify any significant issues in the internal systems of the Group.

E. COMMUNICATIONS WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHT

The Board recognises the importance of effective communication with the shareholders and investors. The Company communicates with the shareholders and investors through various channels including publication of interim and annual reports, announcements, circulars and other corporate communications and publications available on the websites of the Stock Exchange and the Company.

The general meetings of the Company provide an opportunity for direct communication between the Board and the shareholders. The Company encourages the participation of the shareholders through annual general meetings and other general meetings where the shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the shareholders no less than 20 business days before the meeting. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual Directors.

The Board always ensures that shareholders' and investors' views are heard and understood, and welcomes their questions and concerns relating to the Group's management and governance. The Company's website provides email address and telephone number to enable the shareholders to make any enquiries and concerns to the Board. Shareholders and investors may also at any time send their enquiries and concerns to the Board by addressing to the Company Secretary by post or by email. The contact details are set out in the Corporate Information section of this Annual Report.

Procedures for Shareholders to Convene an Extraordinary General Meeting and to Put Forward Proposals at General Meetings

Pursuant to the Article 58 of the Articles of Associations of the Company, any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Proposing a Person for Election as a Director

Pursuant to the Article 85 of the Articles of Associations of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice (as defined therein) signed by a Member (as defined therein) (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Constitutional Documents

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2013.

EXECUTIVE DIRECTORS

Zheng Hong (鄭洪), aged 38, was appointed as the chairman of our Company and an executive Director on 4 May 2011. Mr. Zheng Hong has over 13 years of experience in textile industry. He is one of the founders of our Group and has been a director of Jinyuan Textile Company Limited, Jiangxi ("**Jiangxi Jinyuan**"), a subsidiary of the Group, since 2005. Prior to joining Jiangxi Jinyuan, Mr. Zheng Hong was a manager of Guangdong Dalang textile sales department (廣東大朗棉紗經營部) of Fujian Changle Jin Lin Sheng Textile Company Limited (福建省長樂市金林生織造有限公司) from 1997 to 1999. From 1999 to 2005, he served as the chairman and general manager of Jingwei Textile Company Limited of the Investment Office in Xiangyang City of Hubei Province (湖北省襄陽市投資辦襄陽經緯紡織有限公司). Mr. Zheng Hong was awarded as the China textile outstanding labour (全國紡織工業勞動模範) and standing committee member (常務理事) of the China cotton and textile industry association (中國棉紡織行業協會) in 2010. In 2001, he was awarded the Outstanding Entrepreneur (2001年度優秀民營企業家) by the CPC Xiangfan Municipal Committee (中共襄樊市委) and the Peoples' Government of Xiangfan City (襄樊市人民政府). In 2004, he was also awarded as the Outstanding Individual (先進個人) by the Xiangyang District Committee of CPC Xiangfan City (中共襄樊市襄陽區委). In 2003, he was appointed as the committee member of the 2nd Committee of the Chinese People's Political Consultative Conference of Xiangyang District of Xiangfan City (襄樊市襄陽區第二屆政協委員). Mr. Zheng Hong graduated in Fujian Commercial College (福建商業高等專科學校) in 1997 with a diploma of business secretary. He further completed Commercial Enterprises Information Strategy and Knowledge Management CEO Advanced Programme (工商企業信息戰略與知識管理總裁高級研修班) in Tsinghua University (清華大學) in 2005. Mr. Zheng Hong is the younger brother of Mr. Zheng Yongxiang, an executive Director of our Company.

Zheng Yongxiang (鄭永祥), aged 45, was appointed as an executive Director on 4 May 2011. Mr. Zheng Yongxiang has over 12 years of experience in textile industry. He joined Jiangxi Jinyuan in 2005 as a general manager and is primarily responsible for formulating the policy and monitoring the operation of the Group. Prior to joining Jiangxi Jinyuan, Mr. Zheng Yongxiang served as the general manager of Shaoxing Gangtai Weaving Company Limited (紹興港泰針紡有限公司) from 2001 to 2005. He received the award of Outstanding Entrepreneur in 2007 (2007年度優秀企業家) from the Yichun Municipal Peoples' Government in 2008. He was awarded the Outstanding Architects of Yichun in the Reforming and Open Up for 30 years (改革開放30年宜春市優秀建設者) in 2008 and the Best Ten Yichun Citizen (十佳宜春人) in 2009. Mr. Zheng Yongxiang is a representative of the Jiangxi Yichun Municipal People's Congress (江西省宜春市人民代表大會) and the Chairman of Federation of Industry and Commerce of Fengxin County, Jiangxi Province (江西省奉新縣工商業聯合會). Mr. Zheng Yongxiang graduated from the Open University of China (中央廣播電視大學) with a diploma of accounting (finance and accounting) in 2010. Mr. Zheng Yongxiang is the elder brother of Mr. Zheng Hong, the chairman and an executive Director of our Company.

NON-EXECUTIVE DIRECTOR

Sze Irons, JP (施榮懷), aged 52, was appointed as a non-executive Director on 4 May 2011. He is one of the founders of our Group and was a director of Jiangxi Jinyuan from 2005 to 2012. Mr. Sze has extensive experience in investment and corporate management and is currently an independent non-executive director of Continental Holdings Limited (stock code: 513), a Company listed on the Main Board of the Stock Exchange of Hong Kong Limited and an executive director of a private company, Hang Tung Resources Holding Limited, and holds directorship in various private companies. Mr. Sze is a member of the National Committee and an executive member of the Beijing Committee of the Chinese People's Political Consultative Conference, and currently the President of the Chinese Manufacturers' Association of Hong Kong. He is also a member of Election Committee of the Chief Executive of the Hong Kong Special Administrative Region. Mr. Sze was appointed the Justice of Peace by the Government of Hong Kong Special Administrative Region in 2011. Mr. Sze graduated with a bachelor's degree in science from the University of Wisconsin-La Crosse, United States in 1985.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Mei Bo, Mabel (陳美寶), aged 42, was appointed as an independent non-executive Director on 3 December 2011. Ms. Chan is the founder of Mabel Chan & Co, Certified Public Accountants. Ms. Chan has over 19 years of experience in professional accounting field in Hong Kong. Ms. Chan is a Certified Public Accountant (Practising) in Hong Kong, an associate member of The Association of Chartered Certified Accountants (formerly known as The Chartered Association of Certified Accountants), is a member, a council member and was the vice president of The Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in 2013, and is an associate member of The Institute of Chartered Accountants in England and Wales. Ms. Chan is a certified tax adviser and a member of The Taxation Institute of Hong Kong. She was the president of The Society of Chinese Accountants and Auditors in 2010. She is also the past president and a council member of the Association of Women Accountants (Hong Kong) Ltd., and a member of The Hong Kong Institute of Directors. Ms. Chan was appointed as a member of the Financial Reporting Review Panel of The Financial Reporting Council by the Financial Secretary of Hong Kong, a member of the Create Smart Initiative Vetting Committee, a member of the Barristers Disciplinary Tribunal Panel and a member of the Public Affairs Forum of Hong Kong Secretariat Home Affairs Bureau. Ms. Chan was an independent non-executive director of Modern Education Group Limited (stock code: 1082) from June 2011 to September 2012 and has been serving as an independent non-executive director of Kingmaker Footwear Holdings Limited (stock code: 1170) since August 2011, both of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited. She was also an independent non-executive director of Code Agriculture (Holdings) Limited (stock code: 8153) from October 2009 to April 2012 and has been serving as an independent non-executive director of South China Land Limited (stock code 8155) since May 2013, both of which are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. Ms. Chan graduated with a master degree of business administration from the Hong Kong University of Science and Technology in 2000 and a degree of bachelor of arts in accountancy from City Polytechnic of Hong Kong (now known as City University of Hong Kong) in 1993.

Nie Jianxin (聶鑒新), aged 52, was appointed as an independent non-executive Director on 3 December 2011. Mr. Nie has over 10 years of experience in the industry of chemical fabrics. He is a party committee secretary (院黨委書記) and the Vice President of China Hi-Tech (Jiangxi) Textile Design Institute Co., Ltd. (恒天(江西)紡織設計院有限公司), (formerly known as Jiangxi Province Textile Industry Research and Design Institute (江西省紡織工業科研設計院)). Mr. Nie has served various positions in Jiujiang Chemicals Fabrics Factory (九江化學纖維廠) including the deputy head of the factory and the vice chairman of the board of Jiujiang Chemical Fibre Co., Ltd. (九江化纖股份有限公司). Mr. Nie graduated from the South China Institute of Technology (華南工學院) (now known as the South China University of Technology (華南理工大學) with a bachelor's degree in engineering with specialization in chemical fabrics in 1982. He received the qualifications of professor grade senior engineer (教授級高級工程師) in 2001. Mr. Nie was awarded 3rd honour for science & technology development (江西省科學技術進步獎) in the project named 300D/60F Delustering Viscose Rayon (300D/60F 消光粘膠人造絲) by the Peoples' Government of Jiangxi Province in 2002.

Ng Wing Ka (吳永嘉), aged 44, was appointed as an independent non-executive Director on 3 December 2011. He is a practising solicitor in Hong Kong and is the partner of Tung Ng Tse & Heung Solicitors since 1997. Mr. Ng has served as the committee member of Electronics and Telecommunications Training Board since 2007. He is also the committee member of Hong Kong Ethics Development Centre of Independent Commission Against Corruption and Fire Prevention Committee of Hong Kong East. Since 2005, Mr. Ng has been the independent non-executive director of Yanchang Petroleum International Limited (formerly known as Sino Union Energy Investment Group Limited), a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 346). Mr. Ng graduated with a bachelor in laws and a postgraduate certificate in laws from the University of Hong Kong in 1991 and 1992, respectively.

SENIOR MANAGEMENT

Liu Weimin (劉偉民), aged 44, is a deputy general manager of Jiangxi Jinyuan. Mr. Liu joined our Group in 2005 and is responsible for production technology management. He has over 23 years of experience in textile industry. Prior to joining Jiangxi Jinyuan, Mr. Liu served as the head of production department in Fujian Mawei Development Zone Chuanlong Textile Company Limited (福建省馬尾開發區川隆紡織有限公司) from 1990 to 1993. From 1993 to 1995, he served as the head of production department of Fujian Jingwei Group Company Limited (福建經緯集團有限公司). From 1995 to 2004, he served as the factory manager and chief engineer of Jinjiang Fuxin Textile Company Limited (晉江福鑫紡織有限公司). Mr. Liu completed the internal auditor training in 2011 provided by Nan Chang Sino Enterprise Management Consulting Centre according to the ISO 9001: 2008 and GB/T24001–2004 (ISO14001:2004) Standard.

Chen Yu Han (陳宇含), aged 31, is a deputy general manager of Jiangxi Jinyuan. Mr. Chen joined Jiangxi Jinyuan in 2005 and is responsible for sales and management. He has over 8 years of experience in textile industry. Mr. Chen graduated from the Jimei University (集美大學) in 2005 with a bachelor's degree in business management.

Cheung Chi Fai Frank (張志輝), aged 51, was appointed as our Company's secretary and chief financial officer of our Company in May 2011. He is also an independent non-executive director of Continental Holdings Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 513). He has over 22 years experience in accounting, finance and business management and held senior positions in various multinational companies. He obtained an MBA from the University of Technology, Sydney in 1995 and a professional diploma in accountancy from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in 1985. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Cheung was a part-time tutor at the Open University of Hong Kong from March 2009 to July 2011. He was an executive director of Sun Innovation Holdings Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 547) from 2004 to 2007. He also acted as the chief financial officer of Sun Innovation Holdings Limited from 2007 to 2008. He was an independent director of LJ International Inc. (NASDAQ: JADE) from June to October 2007, a director of e-Lux (Hong Kong) Company Limited, a subsidiary of e-Lux Corporation (JASDAQ:6811) from 2001 to 2003, in charge of the telecommunications value added services in Hong Kong, Taiwan and the PRC. He was the group financial controller and a director of New Media Corporation, a subsidiary of e-New Media Company Limited, a company listed on the Stock Exchange (stock code: 128) from 1995 to 1999 and 1999 to 2000, respectively.

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF
CHINA WEAVING MATERIALS HOLDINGS LIMITED
中國織材控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Weaving Materials Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 35 to 79, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of agreement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Revenue	6	**880,272**	918,513
Cost of sales		**(822,443)**	(874,384)
Gross profit		**57,829**	44,129
Other income	8	**21,218**	23,400
Distribution and selling expenses		**(11,942)**	(13,388)
Administrative expenses		**(22,741)**	(23,118)
Other expenses and losses		**(15)**	(1,110)
Finance costs	9	**(11,154)**	(13,525)
Profit before tax		**33,195**	16,388
Income tax expense	13	**(12,153)**	(15,318)
Profit and total comprehensive income for the year attributable to owners of the Company	10	**21,042**	1,070
Earnings per share	15		
– Basic (RMB cents)		**2.08**	0.11
– Diluted (RMB cents)		**N/A**	0.11

Consolidated Statement of Financial Position

As at 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	16	575,208	492,786
Prepaid lease payments	17	34,909	35,707
Deposits on acquisition of property, plant and equipment		3,262	5,718
		613,379	534,211
Current assets			
Inventories	18	102,075	60,277
Trade and other receivables	19	16,631	17,722
Bills receivables	20	6,599	4,118
Prepaid lease payments	17	776	776
Pledged bank deposits	21	19,167	16,250
Time deposits	21	–	5,126
Cash and bank balances	21	58,203	86,765
		203,451	191,034
Current liabilities			
Trade and other payables	22	125,183	44,871
Bills payables	23	51,420	46,250
Tax payable		8,380	5,980
Bank borrowings	25	207,986	208,000
Obligations under finance leases	26	–	2,827
		392,969	307,928
Net current liabilities		(189,518)	(116,894)
Total assets less current liabilities		423,861	417,317
Non-current liabilities			
Deferred income	24	6,265	6,915
Bank borrowings	25	–	7,000
Deferred tax liability	27	4,835	3,529
		11,100	17,444
Net assets		412,761	399,873

	NOTES	2013 RMB'000	2012 RMB'000
Capital and reserves			
Share capital	28	**82,899**	82,899
Reserves		**329,862**	316,974
Total equity attributable to the owners of the Company		**412,761**	399,873

The consolidated financial statements on pages 35 to 79 were approved and authorised for issue by the Board of Directors on 21 March 2014 and are signed on its behalf by:

Zheng Hong
DIRECTOR

Zheng Yongxiang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note i)	Special reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
As at 1 January 2012	81,885	52,604	56,275	148,739	68,902	408,405
Issued of shares through exercising over-allotment options (note ii)	1,014	6,086	–	–	–	7,100
Cost of issuing new shares	–	(178)	–	–	–	(178)
Profit and total comprehensive income for the year	–	–	–	–	1,070	1,070
Transfer of statutory surplus reserve	–	–	2,341	–	(2,341)	–
Dividend recognised as distribution (note 14)	–	(16,524)	–	–	–	(16,524)
Set off against accumulated losses (note iii)	–	(24,896)	–	–	24,896	–
As at 31 December 2012	82,899	17,092	58,616	148,739	92,527	399,873
Profit and total comprehensive income for the year	–	–	–	–	21,042	21,042
Transfer of statutory surplus reserve	–	–	6,442	–	(6,442)	–
Dividend recognised as distribution (note 14)	–	–	–	–	(8,154)	(8,154)
Set off against accumulated losses (note iii)	–	(3,075)	–	–	3,075	–
As at 31 December 2013	82,899	14,017	65,058	148,739	102,048	412,761

Notes:

(i) Statutory surplus reserve representing appropriations from the profits after taxation of a wholly-owned subsidiary, Jinyuan Textile Co., Ltd. Jiangxi ("**Jiangxi Jinyuan**") established in the People's Republic of China ("**PRC**") forms part of shareholders' equity of Jiangxi Jinyuan. In accordance with the PRC Company Law and the Articles of Association of Jiangxi Jinyuan, Jiangxi Jinyuan is required to appropriate an amount at a minimum of 10% of its profits after taxation each year to a statutory surplus reserve until the statutory surplus reserve reaches 50% of its registered capital. The statutory surplus can be used for converting into additional capital of Jiangxi Jinyuan.

(ii) On 18 January 2012, an additional 12,500,000 shares were allotted and issued by the Company at HK$0.7 per share through the exercise of over-allotment options. The Company received net proceeds of approximately HK$8,500,000 (equivalent to approximately RMB7,100,000) from these over-allotment shares, after deduction of share issue cost payable by the Company.

(iii) Pursuant to The Companies Law (Cap.22) of the Cayman Islands and the Company's articles of associations, the Board of Directors passed a resolution on 19 November 2012 to set off the accumulated losses of the Company by crediting the share premium account of the Company. As of 31 December 2012, the accumulated losses of the Company amounting to RMB24,896,000 has been credited of the share premium account of the Company (the "**2012 Set Off**"). Subsequent to the 2012 Set Off, the Company incurred further accumulated losses amounting to RMB3,075,000 during the six months period ended 30 June 2013. On 23 August 2013, the Board of Directors passed a resolution to set off the entire amount of this accumulated losses of the Company as of 30 June 2013 against the share premium account of the Company.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year	21,042	1,070
Adjustments for:		
Amortisation of deferred income	(650)	(150)
Amortisation of prepaid lease payments	798	612
Depreciation of property, plant and equipment	23,087	19,626
Income tax expenses	12,153	15,318
Interest income	(686)	(1,516)
Interest expenses	10,562	13,337
Other finance expenses	593	188
Loss on disposal of property, plant and equipment	13	15
Operating cash flows before movements in working capital	66,912	48,500
Increase in inventories	(41,798)	(15,666)
Decrease (increase) in trade and other receivables	1,091	(8,883)
(Increase) decrease in bills receivables	(2,481)	5,421
Increase (decrease) in trade and other payables	82,871	(7,125)
Increase in bills payables	5,170	27,600
Cash generated from operations	111,765	49,847
Interest paid	(13,191)	(13,748)
Income tax paid	(8,447)	(14,661)
NET CASH GENERATED FROM OPERATING ACTIVITIES	90,127	21,438
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(99,775)	(108,506)
Placement of pledged bank deposits	(45,716)	(69,026)
Deposits on acquisition of property, plant and equipment	(3,262)	(5,718)
Withdrawal of pledged bank deposits	42,800	77,219
Interest received	686	1,516
Government grants received	–	501
Addition to prepaid lease payments	–	(14,671)
Withdrawal of time deposit with original maturity more than three months	–	30,000
NET CASH USED IN INVESTING ACTIVITIES	(105,267)	(88,685)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	**(219,418)**	(278,356)
Dividends paid	**(7,996)**	(16,524)
Repayment of obligations under finance leases	**(2,944)**	(4,663)
Other finance expenses paid	**(593)**	(188)
Proceeds from bank borrowings	**212,403**	267,539
Proceeds from issue of new shares	**–**	7,100
Payment for share issue costs	**–**	(178)
NET CASH USED IN FINANCING ACTIVITIES	**(18,548)**	(25,270)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(33,688)**	(92,517)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**91,891**	184,408
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**58,203**	91,891
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**58,203**	86,765
Time deposits with original maturity less than three months	**–**	5,126
	58,203	91,891

1. GENERAL

The Company was incorporated in the Cayman Islands on 4 May 2011 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 22 December 2011. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is at Fengtian Economic Development Zone of Fengxin County, Yichun City, Jiangxi Province, The People's Republic of China ("**PRC**").

The Company is an investment holding company. Its operating subsidiary, Jiangxi Jinyuan is engaged in the business of manufacturing and trading of polyester yarns, polyester-cotton blended yarns and cotton yarns in the PRC. Details of subsidiaries are set out in note 39.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As of 31 December 2013, the Group had net current liabilities of approximately RMB189,518,000 (2012: RMB116,894,000). Up to the date these consolidated financial statements were authorised for issuance, the relevant banks agreed to renew bank loans amounting to RMB135,000,000 currently included in current liabilities as at 31 December 2013. Taken into account the availability of these banking facilities and the Group's expected cash flows generated from operations, the management of the Group is satisfied that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board ("**IASB**").

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statement.

Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to IAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to IAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments have been applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and revised IFRSs issues but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle[2]
IFRS 9	Financial Instruments[3]
IFRS 14	Regulatory Deferral Accounts[5]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application—the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016

The directors anticipate that the applications of the new and revised IFRSs will have no material impact on the financial statements.

Annual Improvements to IFRSs 2010–2012 Cycle

The Annual Improvements to IFRSs 2010–2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to IFRSs 2010–2012 Cycle will have a material effect on the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities"

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Company do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

The directors anticipate that the application of the other new and revised amendments and interpretations will have no material impact on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discount and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits from customers prior to meeting the revenue recognition criteria are included in the consolidated statement of financial position under current liabilities.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administration purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than properties under construction, less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	3%
Leasehold improvement	33.3%
Plant and machinery	5% – 10%
Office equipment	5% – 10%
Motor vehicles	10%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is included in the profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see accounting policy above).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from ‚profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reverse of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are mainly loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivables, time deposits, pledged bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets *(Continued)*

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For trade receivables, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the due date, observable changes in national or local economic conditions that correlate with default on receivables and the financial performance of the customers.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the loans and receivables at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceed received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, bills payables, dividend payable and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Useful lives of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives, using straight-line method, at the rates ranging from 3% to 33.3% per annum. The estimated useful lives that the Group depreciates the property, plant and equipment reflect the management's estimate of the periods that the Group intends to derive future economic benefits from the use of the property, plant and equipment by taking into account of industry normal practice. The Group's carrying amount of property, plant and equipment as at 31 December 2013 was approximately RMB575,208,000 (2012: RMB492,786,000).

6. REVENUE

The following is an analysis of the Group's revenue from its major products during the years:

	2013 **RMB'000**	2012 RMB'000
Sales of polyester yarns	**446,616**	457,062
Sales of polyester-cotton blended yarns	**380,645**	406,214
Sales of cotton yarns	**53,011**	55,237
	880,272	918,513

7. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports prepared in accordance with accounting policies which conform with the generally accepted accounting principles in the PRC ("**PRC GAAP**"), that are regularly reviewed by the chief operating decision-maker ("**CODM**") to allocate resources to the segments and to assess their performance.

The CODM which is responsible for allocating resources and assessing performance of the operating segments has been defined as the executive directors of the Company.

Other than revenue analysis by major products as disclosed in note 6, no operating results and other discrete financial information relating to the respective products is prepared regularly for internal reporting to the CODM for resources allocation and performance assessment. The executive directors review the profit after tax of Jiangxi Jinyuan prepared under PRC GAAP for the purposes of resources allocation and performance assessment for the year ended 31 December 2013 and 2012, respectively. The operations of Jiangxi Jinyuan represent single operating and reportable segment of the Company under IFRS 8 "Operating Segments".

7. SEGMENT INFORMATION (Continued)

The segment revenue is the same as the Group's revenue for 2013 and 2012. Reconciliation of segment results, segment assets and segment liabilities reviewed by the CODM which are different from the Group's results, total assets and total liabilities are as follows:

	2013 RMB'000	2012 RMB'000
Segment profit reviewed by CODM	**13,638**	679
Adjusted for income in relation to government grants	**14,470**	17,596
Unallocated income	**111**	456
Administrative and other expenses	**(5,871)**	(8,770)
Taxation	**(1,306)**	(8,891)
Group's profit for the year	**21,042**	1,070

	2013 RMB'000	2012 RMB'000
Segment assets reviewed by CODM	**813,678**	717,636
Time deposits with original maturity less than three months	**–**	5,126
Cash and bank balances	**2,029**	1,165
Property, plant and equipment	**857**	1,052
Other unallocated assets	**267**	266
Group's total assets	**816,831**	725,245

	2013 RMB'000	2012 RMB'000
Segment liabilities reviewed by CODM	**390,974**	313,260
Adjusted for deferred income	**6,265**	6,915
Accrued listing and administrative expenses	**1,837**	1,668
Dividend payables	**158**	–
Deferred tax liabilities	**4,835**	3,529
Group's total liabilities	**404,069**	325,372

7. SEGMENT INFORMATION (Continued)

Non-current assets (excluding financial assets) by location of assets:

	2013 RMB'000	2012 RMB'000
PRC	**612,523**	533,159
Hong Kong	**856**	1,052
	613,379	534,211

Geographical information

Over 99% of the Group's revenue were derived from sales of polyester yarns, polyester-cotton blended yarns and cotton yarns in the PRC based on where goods are delivered to, which are also same as the location of customers.

Information about major customers

No revenue from single customer contributed over 10% of the total sales of the Group in the years ended 31 December 2013 and 2012.

8. OTHER INCOME

	2013 RMB'000	2012 RMB'000
Interest income on time deposits, pledged bank deposits and bank balances	**686**	1,516
Government grants (note)	**14,470**	17,596
Income from scrap sales	**5,714**	3,989
Others	**348**	299
	21,218	23,400

Note:
For the year ended 31 December 2013, government grants mainly represent subsidies of RMB13,820,000 (2012: RMB17,446,000) received by Jiangxi Jinyuan from the Ministry of Finance of Industrial Zone, Fengxin County, Yichun City, Jiangxi Province 江西省宜春市奉新工業園區財政所 for rewarding Jiangxi Jinyuan's past contribution to Fengxin County, Jiangxi Province. The grant is accounted for as financial support with no future related costs expected to be incurred nor related to any assets. As such, an amount of RMB13,820,000 (2012: RMB17,446,000) was recognised in the consolidated statement of profit or loss and other comprehensive income when the grant was received. In addition, an amount of RMB500,000 represents government subsidies received by the Group in 2012 in relation to product development research activities. Such amount was released to profit or loss in 2013 as the Group has incurred relevant research expenditure during the year. The remaining RMB150,000 (2012: RMB150,000) are related to government grants on purchase of land use right which are amortised over a straight-line basis over the life of the corresponding land use right. Details are set out in note 24.

9. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest on:		
– Bank borrowings wholly repayable within five years	**13,191**	13,748
– Finance leases	**117**	460
	13,308	14,208
Other finance expenses	**593**	188
	13,901	14,396
Less: amounts capitalised	**(2,747)**	(871)
	11,154	13,525

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.47% (2012: 6.68%) per annum to expenditures on qualifying assets.

10. PROFIT FOR THE YEAR

	2013 RMB'000	2012 RMB'000
Profit for the year has been arrived at after charging:		
Auditors' remuneration	**1,199**	1,203
Cost of inventories recognised as an expense	**822,443**	874,384
Depreciation of property, plant and equipment	**23,087**	19,626
Amortisation of prepaid lease payments	**798**	612
Total depreciation and amortisation	**23,885**	20,238
Loss on disposal of property, plant and equipment	**13**	15
Foreign exchange losses, net	**15**	1,110
Other staff costs (excluding directors)	**67,638**	67,241
Retirement benefit scheme contributions (excluding directors)	**6,093**	9,647
Total other staff costs	**73,731**	76,888

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the six (2012: six) directors and the chief executive were as follows:

	Directors						
	Mr. Zheng, Hong RMB'000	**Mr. Zheng, Yongxiang RMB'000**	**Mr. Sze, Irons, J.P. RMB'000**	**Ms. Chan Mei Bo, Mabel RMB'000**	**Mr. Ng Wing Ka RMB'000**	**Mr. Nie Jianxin RMB'000**	**Total 2013 RMB'000**
Fees	**–**	**–**	**120**	**120**	**120**	**120**	**850**
Salaries and other benefits	**1,199**	**959**	**–**	**–**	**–**	**–**	**1,788**
Retirement benefit scheme contributions	**12**	**18**	**–**	**–**	**–**	**–**	**30**
Total emoluments	**1,211**	**977**	**120**	**120**	**120**	**120**	**2,668**

	Directors						
	Mr. Zheng, Hong RMB'000	Mr. Zheng, Yongxiang RMB'000	Mr. Sze, Irons, J.P. RMB'000	Ms. Chan Mei Bo, Mabel RMB'000	Mr. Ng Wing Ka RMB'000	Mr. Nie Jianxin RMB'000	Total 2012 RMB'000
Fees	–	–	122	122	122	122	488
Salaries and other benefits	1,219	975	–	–	–	–	2,194
Retirement benefit scheme contributions	11	17	–	–	–	–	28
Total emoluments	1,230	992	122	122	122	122	2,710

Mr. Zheng, Yongxiang is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Neither the chief executive nor any of the directors waived any emoluments in the years ended 31 December 2013 and 2012.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2012: three) were directors and the chief executive of the Company whose emoluments are included in disclosures in note 11 above. The emoluments of the remaining three (2012: two) individuals were as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other benefits	1,152	1,037
Retirement benefit scheme contributions	35	26
	1,187	1,063

	2013 Number of employees	2012 Number of employees
Their emoluments were within the following band:		
HK$nil – HK$1,000,000	3	1
HK$1,000,001 – HK$1,500,000	–	1

13. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	10,847	8,693
Withholding tax on distributed earnings from a subsidiary	–	1,000
Underprovision in prior year	–	2,096
Deferred tax (note 27)	1,306	3,529
	12,153	15,318

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The tax charge in respect of the current year represents EIT in the PRC which is calculated at the prevailing tax rate on the taxable income of the subsidiary in the PRC. The applicable tax rate for Jiangxi Jinyuan, a subsidiary, is 25%.

13. INCOME TAX EXPENSE (continued)

According to the New Law and Implementation Regulation, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise, and remains at 10% otherwise.

Deferred tax has been provided in the consolidated statement of profit or loss and other comprehensive income in respect of the temporary differences attributable to the undistributed earnings of the PRC subsidiary based on 5% (See note 27).

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013	2012
	RMB'000	RMB'000
Profit before tax	**33,195**	16,388
Tax at PRC EIT rate of 25%	**8,298**	4,097
Tax effect of income not taxable for tax purpose	**(173)**	(151)
Tax effect of expenses not deductible for tax purpose	**1,620**	2,601
Tax effect of deductible temporary differences not recognised	**1,102**	2,146
Underprovision in respect of prior year	**–**	2,096
Withholding taxes charged on dividend declared by Jiangxi Jinyuan	**–**	1,000
Withholding tax arising from undistributed profits of Jiangxi Jinyuan	**1,306**	3,529
Income tax expenses for the year	**12,153**	15,318

14. DIVIDENDS

	2013	2012
	RMB'000	RMB'000
Final dividend declared for 2012 – HK$1.0 cent per share (2012: Final dividend declared for 2011 – HK$2.0 cents per share)	**8,154**	16,524

14. DIVIDENDS (continued)

The dividend declared for the year ended 31 December 2011 was paid out of share premium. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum of Association and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2013 of HK$1.0 cent (2012: final dividend in respect of the year ended 31 December 2012 of HK$1.0 cent) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2013 RMB'000	2012 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share Profit for the year attributable to owners of the Company	**21,042**	1,070

	2013 '000	2012 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,012,500**	1,011,885
Effect of dilutive potential ordinary shares – over-allotment options	**N/A**	332
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	1,012,217

For the year ended 31 December 2013, no diluted earning per share is presented as there are no potential ordinary shares outstanding during the year.

For the year ended 31 December 2012, diluted earning per share was presented as there is over-allotment options granted to the international underwriters in relation to the initial public offering of the Company.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2012	172,269	–	293,121	2,019	3,917	–	471,326
Additions	–	342	7,214	376	691	103,472	112,095
Disposals	–	–	–	(143)	(10)	–	(153)
At 31 December 2012 and 1 January 2013	172,269	342	300,335	2,252	4,598	103,472	583,268
Additions	–	–	13,902	574	2,668	88,378	105,522
Disposals	–	–	(72)	(61)	–	–	(133)
Transfer from construction in progress	107,302	–	49,636	–	–	(156,938)	–
At 31 December 2013	279,571	342	363,801	2,765	7,266	34,912	688,657
ACCUMULATED DEPRECIATION							
At 1 January 2012	15,761	–	53,181	760	1,292	–	70,994
Charge for the year	5,012	86	13,881	268	379	–	19,626
Elimination disposals	–	–	–	(129)	(9)	–	(138)
At 31 December 2012 and 1 January 2013	20,773	86	67,062	899	1,662	–	90,482
Charge for the year	6,904	114	14,995	254	820	–	23,087
Elimination disposals	–	–	(65)	(55)	–	–	(120)
At 31 December 2013	27,677	200	81,992	1,098	2,482	–	113,449
CARRYING AMOUNTS							
At 31 December 2013	251,894	142	281,809	1,667	4,784	34,912	575,208
At 31 December 2012	151,496	256	233,273	1,353	2,936	103,472	492,786

All the Group's buildings are located in the PRC under medium-term lease.

Property, plant and equipment with an aggregate carrying amount at 31 December 2013 of approximately RMB219 million (2012: RMB235 million) have been pledged to secure general banking facilities granted to the Group (see note 34).

17. PREPAID LEASE PAYMENTS

All the Group's prepaid lease payments are located in the PRC under medium-term lease.

	2013 RMB'000	2012 RMB'000
Analysed for reporting purposes as:		
Current assets	**776**	776
Non-current assets	**34,909**	35,707
	35,685	36,483

Prepaid lease payments with a carrying amount of approximately RMB19.0 million (2012: RMB19.4 million) have been pledged to secure general banking facilities granted to the Group as at 31 December 2013 (see note 34).

18. INVENTORIES

	2013 RMB'000	2012 RMB'000
Raw materials	**31,193**	27,157
Work in progress	**9,909**	9,369
Finished goods	**60,973**	23,751
	102,075	60,277

19. TRADE AND OTHER RECEIVABLES

	2013 RMB'000	2012 RMB'000
Trade receivables	**3,840**	1,409
Advance payment to suppliers	**9,687**	15,920
Prepayments and other receivables	**3,104**	393
	16,631	17,722

In general, the Group will receive advance or bills from the customers before the products are delivered. The Group allows some of the long-term and loyal customers to have credit terms of 15–90 days depending on creditability of the customers.

19. TRADE AND OTHER RECEIVABLES (continued)

No interest is charged on overdue trade receivables. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

The following is an analysis of trade receivables by age, presented based on the invoice date at the end of each reporting period, which approximated the respective revenue recognition dates.

	2013 RMB'000	2012 RMB'000
1–30 days	3,493	1,394
31–90 days	337	15
Over 90 days	10	–
	3,840	1,409

Before accepting any new customer, the Group has assessed the potential customer's credit quality. The Group reviews the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable. For the accounts receivables which are neither past due nor impaired, the management assessed the balances are with good credit quality with reference to their past repayment history.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB347,000 (2012: RMB15,000) as at 31 December 2013 which are past due as at the reporting date for which the Group has not provided for impairment loss. Based on historical experience, the receivables are generally recoverable as supported by on-going settlements from customers. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2013 RMB'000	2012 RMB'000
Over 30 days	347	15

20. BILLS RECEIVABLES

The following is an analysis of bills receivables, presented based on the date of invoices issued:

	2013 RMB'000	2012 RMB'000
1–30 days	**2,253**	800
31–60 days	**1,902**	300
61–90 days	**890**	612
91–120 days	**600**	276
121–150 days	**504**	50
Over 150 days	**450**	2,080
	6,599	4,118

The following were the Group's bills receivable as at 31 December 2013 and 2012 that were transferred to suppliers by endorsing those bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the bills receivables and the corresponding trade payables. These bills receivable are carried at amortised cost in the Group's consolidated statement of financial position.

	Bills receivables endorsed to suppliers with full recourse 2013 RMB'000	 2012 RMB'000
Carrying amount of transferred assets	**6,599**	4,118
Carrying amount of associated liabilities	**(6,599)**	(4,118)

21. PLEDGED BANK DEPOSITS/TIME DEPOSITS/CASH AND BANK BALANCES

	2013 RMB'000	2012 RMB'000
Pledged bank deposits	**19,167**	16,250
Time deposits with original maturity less than three months	**–**	5,126
Bank balances	**58,203**	86,765
	77,370	108,141

21. PLEDGED BANK DEPOSITS/TIME DEPOSITS/CASH AND BANK BALANCES (continued)

Pledged bank deposits, time deposits and bank balances of the Group carry interest at market rates per annum which are as follows:

	2013	2012
Pledged bank deposits	2.80%	3.05%
Time deposits with original maturity less than three months	N/A	1.015%
Bank balances	0.01% – 0.35%	0.01% – 0.35%

Included in pledged bank deposits, time deposits and bank balances and cash that are not denominated in the functional currencies are as follows:

	2013 RMB'000	2012 RMB'000
Hong Kong dollars	71	6,292

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group (see note 34). As at 31 December 2013, an amount of approximately RMB19,167,000 (2012: RMB16,250,000) were pledged to banks for settlement of bills payables and trust receipt loans upon maturity.

22. TRADE AND OTHER PAYABLES

	2013 RMB'000	2012 RMB'000
Trade payables	46,408	5,747
Value-added tax payable	84	2,421
Other payables	2,360	1,737
Other tax payable	2,380	1,273
Accrual for salary and wages	5,400	5,400
Accrual for social insurance	17,339	12,928
Other accrued charges	6,412	7,006
Payable for acquisition of property, plant and equipment	38,086	2,718
Deposits from customers	6,714	5,641
	125,183	44,871

22. TRADE AND OTHER PAYABLES (continued)

The following is an analysis of trade payables by age, presented based on the invoice date:

	2013 RMB'000	2012 RMB'000
1–30 days	32,910	2,287
31–90 days	13,485	1,880
Over 90 days	13	1,580
	46,408	5,747

In general, the Group will make advance payment to suppliers before the materials are received. The creditors may, in some cases, allow a credit period and the average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

23. BILLS PAYABLES

The following is an analysis of bills payables, presented based on invoice date:

	2013 RMB'000	2012 RMB'000
1–30 days	10,000	–
31–90 days	20,000	26,250
91–180 days	21,420	20,000
	51,420	46,250

24. DEFERRED INCOME

The deferred income comprised the refund by Ministry of Finance of Industrial Zone, Fengxin County, Jiangxi Province 江西奉新工業園區財政所 of the purchase cost of land use right, provided in relation to the establishment of Jiangxi Jinyuan in 2005 amounting to approximately RMB7,488,000.

Government grants are recognised as deferred income in the consolidated statement of financial position when received.

For the refund of purchase cost of land use right, it is transferred to profit or loss over the lease terms of the land use right, which is 50 years. This policy has resulted in a credit to income in current year of approximately RMB150,000 (2012: RMB150,000). As at 31 December 2013, an aggregate carrying amount of approximately RMB6,265,000 (2012: RMB6,415,000) remains to be amortised.

24. DEFERRED INCOME (continued)

During the year ended 31 December 2012, the Group received subsidies from the Ministry of Finance of Industrial Zone, Fengxin County, Jiangxi Province 江西奉新工業園區財政所 and 江西奉新縣科技局 for carrying out research activities relating to product development amounted to RMB500,000. The subsidies were not released to profit or loss in 2012 as the Group had not incurred any research expenditure for which the subsidies are intended to compensate. The subsidies have been released to profit or loss in 2013 as the Group has incurred relevant research expenditure (see note 8).

25. BANK BORROWINGS

	2013 **RMB'000**	2012 RMB'000
Secured bank borrowings (note i)	**198,986**	205,000
Unsecured bank borrowings (note ii)	**9,000**	10,000
	207,986	215,000
Carrying amount repayable:		
Within one year	**207,986**	208,000
More than one year, but not exceeding two years	**–**	7,000
	207,986	215,000
Less: Amounts due within one year shown under current liabilities	**(207,986)**	(208,000)
	–	7,000

Notes:

i. These bank borrowings were secured by the Group's certain land use rights, property, plant and equipment and bank deposit (see note 34). The Group has obtained banking facilities relating to trust receipt loans of approximately RMB4 million (2012: Nil) as at 31 December 2013 and they bore bank charges of 2.04% of the issued trust receipt loans. As at 31 December 2013, the Group had trust receipt loans of approximately RMB4 million (2012: Nil).

Except for the trust receipt loan as mentioned above, the remaining bank borrowing bore fixed interest rates at 6.00% to 6.56% (2012: 6.31% and 6.56%) per annum or floating interest rates ranging from 110% to 120% (2012: 103% to 123%) of the benchmark borrowing rate in the PRC as at 31 December 2013.

ii. Unsecured bank borrowings bore floating interest rates at 103% and 110% of the benchmark borrowings rate in the PRC as at 31 December 2013.

iii. The weighted average effective interest rate on bank borrowings is 6.47% (2012: 6.61%) per annum as at 31 December 2013. All borrowings are denominated in RMB.

iv. At 31 December 2013, the Group has RMB140,000,000 (2012: RMB140,000,000) undrawn borrowing facilities.

v. Up to the date of these consolidated financial statements were authorised for issuance, the Group has agreed with certain banks to renew bank loans amounting to RMB135,000,000.

26. OBLIGATIONS UNDER FINANCE LEASES

The Group entered into sale and leaseback arrangements with certain independent third parties in relation to certain of Group's machineries during the years ended 31 December 2010 and 2009. The Group considered that these lease arrangements were finance lease as substantially all the risks and rewards incidental to ownership of these machineries retained with the Group. In addition, the Group had options to purchase the machineries with a nominal amount at the end of the lease terms. The lease term was 4 years (2012: 4 years). Interest rates underlying all obligations under finance leases were fixed at the date of inception at 8% (2012: 8.0%) per annum. No arrangements had been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases:				
Within one year	–	2,944	–	2,827
Less: future finance charges	–	(117)	**N/A**	N/A
Present value of lease obligations	–	2,827	–	2,827
Less: Amount due for settlement within 12 months (shown under current liabilities)			–	(2,827)
Amount due for settlement after 12 months			–	–

In December 2012, the secured deposit for obligation under finance lease of RMB3,022,000 had been used to settle the purchase cost of the relevant assets at the end of the lease term.

27. DEFERRED TAX LIABILITY

The following is the deferred tax liability recognised by the Group, and the movements thereon during the current year are as follows:

	Undistributed earnings of the PRC subsidiary RMB'000
At 1 January 2012	–
Charge to profit or loss (note 13)	(3,529)
At 31 December 2012 and 1 January 2013	(3,529)
Charge to profit or loss (note 13)	(1,306)
At 31 December 2013	(4,835)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by a PRC subsidiary from 1 January 2008 onwards. At 31 December 2012 and 2013, deferred tax has been provided on the entire undistributed earnings on the PRC subsidiary from 1 January 2008.

At the end of the reporting period, the Group has deductible temporary differences of RMB17,336,000 (31 December 2012: RMB12,928,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that the deductible temporary differences can be utilised.

28. SHARE CAPITAL

	Number of shares '000	HK$'000	RMB'000
Authorised:			
At 31 December 2012 and 31 December 2013	10,000,000	1,000,000	819,672
Issued and fully paid:			
At 1 January 2012	1,000,000	100,000	81,885
Issue on exercising over-allotment option (note)	12,500	1,250	1,014
At 31 December 2012 and 31 December 2013	1,012,500	101,250	82,899

Note:

On 18 January 2012, the over-allotment shares of 12,500,000 were allotted and issued by the Company at HK$0.7 per share. The Company received net proceeds of approximately HK$8,500,000 (equivalent to approximately RMB7,100,000) from these over-allotment shares, after deduction of share issue cost of approximately RMB178,000 payable by the Company. The new shares rank pari passu with the existing shares in all respects.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debts (which includes bank borrowings and obligations under finance leases, net of cash and cash equivalents) and equity attributable to owners of the Company, comprising share capital, share premium and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new capital injection as well as the issue of new debt.

30. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	87,809	113,894
Financial liabilities		
Amortised cost	346,260	271,452

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivables, time deposits, pledged bank deposits, cash and bank balances, trade and other payables, bills payables and bank borrowings.

Details of these financial instruments of the Group are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 25).

The Group exposed to cash flow interest rate risk in relation to the variable-rate pledged bank deposits, bank balances and bank borrowings (see notes 21 and 25).

The Group's exposure to cash flow interest rates risk on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of benchmark borrowings rate in the PRC arising from the bank borrowings and fluctuation of bank deposit rates in the PRC and Hong Kong arising from bank balances and pledged bank deposits.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. No sensitivity is presented for variable-rate pledged bank deposits and bank balances as the directors considered that the interest rate fluctuation is minimal. For bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A 50 basis points (2012: 50 basis points) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

30. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (Continued)

(i) Interest rate risk (Continued)

Sensitivity analysis (Continued)

If interest rates had been 50 basis points (2012: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2013 (net of interest capitalised to constructions in progress) would decrease/increase by approximately RMB1,424,000 (2012: RMB616,000).

In the opinion of the management, the sensitivity analysis is unrepresentative of the interest rate risk inherent in the financial liabilities as the year end exposure does not reflect the exposure during the year.

(ii) Currency risk

The Group has foreign currency time deposits, cash and bank balances, other receivables and other payables, which expose the Group to risk in United States Dollars ("**USD**") and Hong Kong Dollars ("**HK$**"). The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities are as follows:

	Assets		Liabilities	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**1,106**	–	**15,599**	–
HK$	**2,029**	6,410	**158**	1,667

Sensitivity analysis

The sensitivity analysis below includes foreign currency denominated monetary items at the end of the reporting periods and has been determined based on the exposure to exchange rates of USD and HK$ against RMB. For a 5% (2012: 5%) weakening of USD and HK$ against RMB and all other variables being held constant, the Group's post-tax profit for the year ended 31 December 2013 would increased by approximately RMB632,000 (2012: decreased by RMB169,000).

There would be an equal and opposite impact on the post-tax profit for the year where the USD and HK$ strengthens against RMB by 5%.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(iii) Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

30. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

In order to minimise the credit risk of trade receivables, the management of the Group has delegated a team responsible for determination of credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group also requests deposits from customers prior to sales transactions. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk for bills receivables, time deposits, pledged bank deposits and bank balances is considered as minimal as such amounts are to be settled by or placed with banks with good reputation in PRC and Hong Kong.

The Group has concentration of credit risk on the Group's trade receivables and bills receivables as over 99% of the customers are involved in clothing or textile industry and located in the PRC.

Other than concentration of credit risk on liquid funds which are deposited with several banks with good reputation in PRC and Hong Kong and save as disclosed elsewhere in the consolidated financial statements, the Group does not have any other significant concentration of credit risk.

(iv) Liquidity risk

In preparing the consolidated financial statements, the management of the Group has given careful consideration to the future liquidity and going concern of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately RMB189,518,000 (2012: RMB116,894,000) as at 31 December 2013. Up to the date these consolidated financial statements were authorised for issuance, certain banks agreed to renew bank loans amounting to RMB135,000,000 and the Group had undrawn banking facilities of approximately RMB163,000,000. The Group relies on bank borrowings as a significant source of liquidity. The management of the Group is satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the banking facilities already in place and internal financial resources and accordingly, the consolidated financial statements have been prepared on a going concern basis.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting periods. The amounts included below for variable rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting periods.

30. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (Continued)

(iv) Liquidity risk (Continued)

Liquidity and interest risk tables

	Weighted average interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1 to 5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2013							
Non-derivative financial liabilities							
Trade and other payables	–	86,853	–	–	–	86,853	86,853
Bills payables	–	10,000	20,000	21,420	–	51,420	51,420
Bank borrowings							
– fixed	5.54%	–	–	34,570	–	34,570	33,986
– variable	6.65%	–	–	180,360	–	180,360	174,000
		96,853	20,000	236,350	–	353,203	346,259
As at 31 December 2012							
Non-derivative financial liabilities							
Trade and other payables	–	10,202	–	–	–	10,202	10,202
Bills payables	–	–	26,250	20,000	–	46,250	46,250
Obligations under finance leases	8.00%	–	1,061	1,883	–	2,944	2,827
Bank borrowings							
– fixed	6.37%	–	–	41,209	–	41,209	40,000
– variable	6.67%	–	–	174,088	7,901	181,989	175,000
		10,202	27,311	237,180	7,901	282,594	274,279

30. FINANCIAL INSTRUMENTS (continued)

c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

31. CAPITAL COMMITMENTS

	2013	2012
	RMB'000	RMB'000
Contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment and construction of new production facilities and infrastructure	**29,723**	98,047
Capital expenditure in respect of the acquisition of property, plant and equipment and construction of new production facilities and infrastructure authorised but not contracted for	**2,266**	35,377

32. OPERATING LEASE COMMITMENT

	2013	2012
	RMB'000	RMB'000
Minimum lease payments paid under operating lease during the year for premises	**467**	373

At 31 December 2013, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2013	2012
	RMB'000	RMB'000
Within one year	**384**	396
In the second to fifth year inclusive	**64**	462
	448	858

Leases are negotiated for lease terms of three years with fixed rental and management fee over the terms of the relevant lease.

33. RETIREMENT BENEFIT SCHEME

Prior to 1 July 2011, the employees of Jiangxi Jinyuan are mainly workers with rural residence which Jiangxi Jinyuan did not have mandatory obligation to pay social insurance payments for these workers pursuant to the regulations regarding rural social security systems. Certain of the remaining employees contributed to retirement benefit scheme in accordance with the relevant regulations of local authority. After 1 July 2011, all employees are required to contribute to retirement benefit scheme promulgated at the national level. It is required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

In addition, the Group operates a mandatory Provident Fund Scheme for all qualifying employees in the Group. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs with the maximum monthly amount of HK$1,250 (2012: HK$1,000 and increase to HK$1,250 since 1 June 2012) to the Scheme, which contribution is matched by employees.

The total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB6,123,000 (2012: RMB9,675,000) for the year ended 31 December 2013, represent contribution to the schemes during the year. As at 31 December 2013, contributions of approximately RMB17,339,000 (2012: RMB12,928,000) due in respect of the year had not been paid over to the schemes as some employees did not register with the local authority for the retirement benefit scheme. In accordance with the regulations of this rural social security systems, the Group can forfeit payment of the social insurance if the employees do not file registration with the local authority within two years. Therefore, the maximum chargeable of the accrual social insurance will be subject to two years.

34. PLEDGED OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group (see notes 25 and 26):

	2013 **RMB'000**	2012 RMB'000
Property, plant and equipment	**218,671**	235,098
Prepaid lease payments	**18,975**	19,405
Pledged bank deposits	**19,167**	16,250
	256,813	270,753

In addition, the Group's obligation under finance lease (see note 26) were secured by the lessors' title to the leased assets, which had a carrying amount of RMB12.9 million as at 31 December 2012.

35. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2013 and 2012, the Group did not have any other material related party transactions with related parties beside those disclosed below:

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the years were as follows:

	2013	2012
	RMB'000	RMB'000
Short-term benefits	**3,546**	3,651
Post-employment benefits	**55**	50
	3,601	3,701

The remuneration is determined by the directors of the Company having regard to the performance of individuals and market trends.

36. SHARE OPTION SCHEME

Pursuant to a resolution passed on 3 December 2011, the Company adopted a share option scheme (the "**Option Scheme**"), which will expire 10 years after the date on which the shares of the Company ("**Shares**") commence listing on the Stock Exchange, for the purpose of motivating the eligible participants to optimise their performance efficiency for the benefit of the Group and attracting and retaining or maintaining on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group. Under the Option Scheme, the directors of the Company may grant options to any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

The exercise price is determined by the board of the Company, and will not be less than the highest of (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities, (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

The maximum number of shares in respect of which options may be granted under the Option Scheme must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the public floatation, being 100,000,000 Shares, excluding for this purposed Shares which would have been issuable pursuant to the over-allotment option and options which have lapsed in accordance with the terms of the Option Scheme (or any other share option schemes of the Company).

36. SHARE OPTION SCHEME (Continued)

Besides, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

No share options were granted by the Company nor exercised by any employees during the years ended 2013 and 2012.

37. FINANCIAL SUMMARY OF THE COMPANY

	2013 RMB'000	2012 RMB'000
Non-current asset		
Investments in a subsidiaries	**45,986**	45,986
Advances to a subsidiary (note i)	**54,240**	50,006
	100,226	95,992
Current assets		
Dividend receivable	**2,523**	–
Other receivables	**140**	140
Time deposits	**–**	5,126
Cash and bank balances	**334**	319
	2,997	5,585
Current liability		
Other payables	**1,995**	1,667
Amount due to a subsidiary	**492**	–
	2,487	1,667
Net current assets	**510**	3,918
Total assets less current liabilities	**100,736**	99,910
Capital and reserves		
Share capital	**82,899**	82,899
Share premium	**14,017**	17,092
Special reserve	**(81)**	(81)
Accumulated profits	**3,901**	–
Total equity attributable to owners of the Company	**100,736**	99,910

37. FINANCIAL SUMMARY OF THE COMPANY (Continued)

	Accumulated (losses) profits RMB'000
As at 31 December 2011 and 1 January 2012	(21,379)
Loss and total comprehensive expenses for the year	(3,517)
Set off against accumulated losses (note ii)	24,896
As at 31 December 2012	–
Profit and total comprehensive income for the year	8,980
Dividend recognised as distribution (note 14)	(8,154)
Set off against accumulated losses (note ii)	3,075
As at 31 December 2013	3,901

Notes:

(i) Fair value adjustment of RMB45,985,000 relating to the interest-free advance to a subsidiary has been made at initial recognition based on an effective interest rate of 6.55% per annum, being the prevailing market borrowing rates for a similar instrument. The investments in subsidiaries include the fair value adjustment made in 2012 and 2013.

In the opinion of the directors, the Company will not demand repayment within one year from the end of the reporting period and advance to a subsidiary is therefore considered as non-current.

(ii) Pursuant to The Companies Law (Cap. 22) of the Cayman Islands and the Company's articles of associations, the Board of Directors of the Company passed a resolution on 19 November 2012 to set off the Company's accumulated losses by crediting the share premium account of the Company during the year ended 31 December 2012. During the year ended 31 December 2013, the Company incurred further accumulated losses amounting to RMB3,075,000 during the six months period ended 30 June 2013. On 23 August 2013, the Board of Directors passed a resolution to set off the entire amount of this accumulated losses of the Company as of 30 June 2013 against the share premium account of the Company.

38. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2012, the secured deposit for obligation under finance lease of RMB3,022,000 had been used to settle the purchase cost of the relevant assets at the end of the lease term.

39. SUBSIDIARIES

The Company had direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment and legal form	Issued and fully paid/ registered capital	Equity interest attributable to the Group As at 31 December 2013	2012	Principal activities
Direct					
Jolly Success International Limited	British Virgin Islands Incorporated	HK$1,000	**100%**	100%	Investment holding
Indirect					
Treasure Resources Corporation Limited	Hong Kong Incorporated	HK$2,000	**100%**	100%	Investment holding and trading of cotton
Jiangxi Jinyuan Textile Co., Ltd.	PRC Wholly foreign-owned enterprise	RMB253,000,000	**100%**	100%	Manufacturing and trading of polyester yarns, polyester-cotton blended yarns and cotton yarns

Five Years Financial Summary

	Year ended 31 December				
	2009	2010	2011	2012	**2013**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	663,438	930,666	1,085,889	918,513	**880,272**
Cost of sales	(576,205)	(781,294)	(947,142)	(874,384)	**(822,443)**
Gross profit	87,233	149,372	138,747	44,129	**57,829**
Investment and other income	10,927	7,027	4,481	23,400	**21,218**
Distribution and selling expenses	(12,041)	(12,902)	(12,938)	(13,388)	**(11,942)**
Administrative expenses	(9,020)	(9,932)	(20,061)	(23,118)	**(22,741)**
Other expenses and losses	–	–	(20,583)	(1,110)	**(15)**
Finance costs	(10,907)	(16,009)	(20,156)	(13,525)	**(11,154)**
Profit before tax	66,192	117,556	69,490	16,388	**33,195**
Income tax expense	–	–	(8,852)	(15,318)	**(12,153)**
Profit for the year attributable to owners of the Company	66,192	117,556	60,638	1,070	**21,042**
Earnings per share					
Basic (RMB cents)	8.83	15.67	8.01	0.11	**2.08**
Diluted (RMB cents)	8.83	15.67	8.01	0.11	**N/A**

	As at 31 December				
	2009	2010	2011	2012	**2013**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
ASSETS AND LIABILITIES					
Total assets	635,700	725,200	727,618	725,245	**816,830**
Total liabilities	(454,097)	(511,841)	(319,213)	(325,372)	**(404,069)**
	181,603	213,359	408,405	399,873	**412,761**
Total equity attributable to owners of the Company	181,603	213,359	408,405	399,873	**412,761**