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

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

**(Stock Code：1616)**

## UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

**SUMMARY**

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

The board of directors (the "**Board**") of Silverman Holdings Limited (the "**Company**") announce the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2015 (the "**Period Under Review**") together with the comparative figures for the corresponding period in 2014 and the relevant explanatory note as set out below. The consolidated interim results are unaudited, but have been reviewed by the audit committee (the "**Audit Committee**") of the Group.

**Consolidated statement of profit or loss and other comprehensive income**
For the six months ended 30 June 2015 - unaudited
*(Expressed in Renminbi)*

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

Details of the dividends payable to equity shareholders of the Company are set out in note 14.

**Consolidated statement of financial position**
As at 30 June 2015 - unaudited
*(Expressed in Renminbi)*

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

**Consolidated statement of financial position (Continued)**
As at 30 June 2015 - unaudited
*(Expressed in Renminbi)*

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

# Consolidated statement of changes in equity

For the six months ended 30 June 2015 - unaudited

*(Expressed in Renminbi)*

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

**Condensed consolidated cash flow statement**
For the six months ended 30 June 2015 - unaudited
*(Expressed in Renminbi)*

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

**Notes to the unaudited interim results announcement**
*(Expressed in Renminbi unless otherwise indicated)*

## 1 Basis of preparation

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

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

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

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

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

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

## 2 Changes in accounting policies

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

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

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

## 3 Turnover and segment information

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

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

## 3 Turnover and segment information (continued)

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

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| The PRC | **295,195** | 325,321 |
| Overseas | **23,076** | 36,778 |
| | **318,271** | 362,099 |

## 4 Other net gains

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

## 5 Profit before taxation

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

(a) Finance income and finance costs

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

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

(b) Other items

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

## 6 Income tax

| | **Six months ended 30 June** | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Current tax | **2,126** | (707) |
| Deferred tax | **(28)** | (565) |
| | **2,098** | (1,272) |

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in those jurisdictions.

(ii) The Group's Hong Kong subsidiaries, being investment holding companies, do not derive income subject to Hong Kong Profits Tax. For the six months ended 30 June 2015, Hong Kong Profits Tax rate is 16.5% (2014: 16.5%). The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.

(iii) The statutory tax rate applicable to the subsidiaries established in the PRC was 25% (2014: 25%).

(iv) Dividends receivable by non-PRC resident corporate investors from PRC-residents are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profit earned since 1 January 2008. YSL (HK) Ltd. and Huiyin (HK) Ltd., Hong Kong subsidiaries of the Company, would be subject to the PRC dividend withholding tax on dividends receivables from their PRC subsidiaries.

## 7 Earnings per share

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

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

## 8 Fixed assets

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

## 9 Short-term investments

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

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

## 10 Trade and other receivables

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

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

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

## 11 Pledged bank deposits

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

## 12 Cash and cash equivalents

| | **At 30 June 2015 RMB'000** | At 31 December 2014 RMB'000 |
|---|---|---|
| Bank deposits | **132,977** | 122,215 |
| Cash in hand | **118** | 141 |
| | **133,095** | 122,356 |

## 13 Trade and other payables

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

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

## 14 Capital and dividends

(a) Dividend

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

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

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

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Final dividend in respect of the previous financial year, approved during the following interim period | **7,600** | 7,600 |

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

(b) Share capital

| | *At 30 June 2015* | | *At 31 December 2014* | |
|---|---|---|---|---|
| | ***No. of shares*** | ***RMB'000*** | *No. of shares* | *RMB'000* |
| **Ordinary shares (USD0.01 each), issued and fully paid:** | | | | |
| At 30 June and 31 December | **800,000,000** | **50,577** | 800,000,000 | 50,577 |

## 15 Fair value measurement of financial instruments

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

(i) Fair value hierarchy

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

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

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

(i) Fair value hierarchy (continued)

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

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

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

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

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

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

(i) Fair value hierarchy (continued)

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

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

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

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

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

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 30 June 2015.

## 16 Commitments

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

| | **At 30 June 2015 RMB'000** | At 31 December 2014 RMB'000 |
|---|---|---|
| Contracted for | **1,134** | 4,080 |

## 17 Material related party transactions

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

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Short-term employee benefits | **845** | 873 |
| Post-employment benefits | **18** | 17 |
| | **863** | 890 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

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

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

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

## BUSINESS REVIEW

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

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

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

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

## FINANCIAL REVIEW

### Turnover, gross profit and gross profit margin

The table below is an analysis of the Group's turnover, gross profit and gross profit margin of its major product categories for the six months ended 30 June 2015 and 2014, respectively:

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

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

### Distribution costs

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

### Administrative expenses

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

**Net finance costs**

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

**Taxation**

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

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

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

**Liquidity and financial resources**

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

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

For the six months ended 30 June 2015, the Group's net cash generated from operating activities was approximately RMB90.1 million, net cash used in investing activities was approximately RMB107.5 million and net cash generated from financing activities was approximately RMB28.1 million. Cash and cash equivalents increased by approximately RMB10.7 million during the Period Under Review (as at 31 December 2014: approximately RMB122.4 million). The Board believes that the Group will maintain a sound and stable financial position, and will maintain sufficient liquidity and financial resources for the Group's business need.

The Group's customers, who have set up long-term business relationship with us and have well settlement history and sound reputation, have been granted a credit period typically ranging from 30 to 180 days pursuant to the payment terms of the purchase or processing orders. The length of credit period depends on various factors such as financial strength, size of the business and settlement history of those customers. For the six months ended 30 June 2015, the average trade receivables (including bills receivable) turnover period of the Group was approximately 38 days, down from 48 days for the corresponding period in previous year. The decrease was mainly due to the increase of intensity in payment collection of the Group.

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

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

**Capital structure**

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

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

## Capital commitments

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

## Employee and remuneration policy

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

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

The Group continues to provide training to staffs to improve their operation skill. Meanwhile, the Group enhanced the work efficiency and average income of the staffs through post-consolidation, process reorganization and improvement of working and living environment of the staffs. The remuneration of the employees of the Group was subject to their working performance, experience and the industry practices. The management of the Group will also periodically review the remuneration policy and details. In addition, the Group provides bonuses and incentives based on their performances to encourage and motivate its staffs to strive for better performance. During the year 2015, the Group will continue to provide training to staffs according to their respective skill requirements, such as training sessions on safety and skill.

## Exposure to foreign exchange risk

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

## Contingent liabilities

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

**Charges on assets**

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

**Significant investments held**

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

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

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

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

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

## FUTURE OUTLOOK

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

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

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

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

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

## CORPORATE GOVERNANCE

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

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

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

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

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

## AUDIT COMMITTEE

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

## INTERIM DIVIDEND

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

## EVENTS AFTER THE REPORTING PERIOD

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

## DISCLOSURE OF INFORMATION

This interim report of the Company will be published on the websites of both the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www. ysltex.com) and shall be dispatched to the shareholders before the end of September 2015.

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

Shandong, the PRC
21 August 2015

*As at the date of this announcement, the Board comprises 6 Directors, namely Mr. LIU Dong, Mr. LIU Zongjun and Mr. TIAN Chengjie as executive Directors; and Mr. ZHU Ping, Mr. LAM Kai Yeung and Mr. CHANG Tao as independent non-executive Directors.*

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