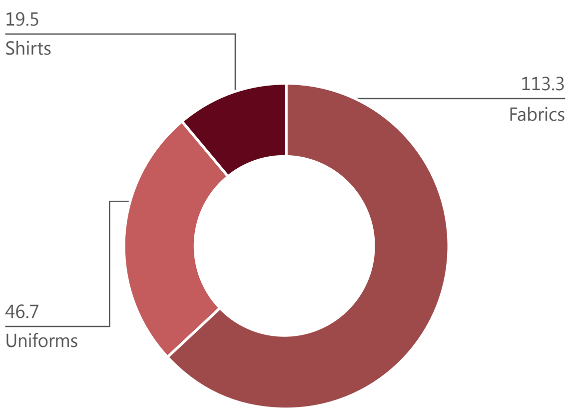
Firstextile AG

ANNUAL REPORT 2012

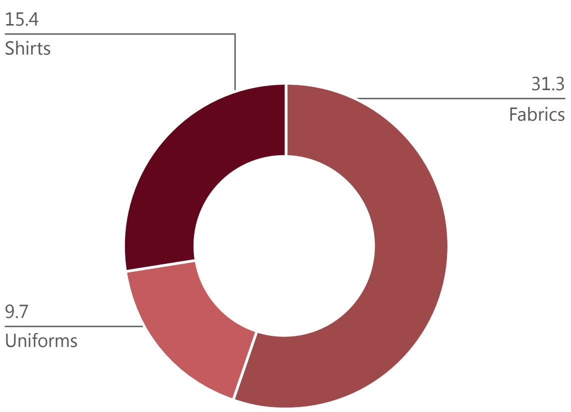
OVERVIEW OF KEY FIGURES

EUR m	2012	2011	Change
Revenue	179.5	131.7	+36.3 %
Gross Profit	56.4	40.7	+38.5 %
EBIT	40.1	29.4	+36.3 %
Net Profit	32.5	23.9	+35.9 %
EPS (in EUR)	3.17	2.39	+32.6 %
Total assets	142.3	98.9	+44.0 %
Equity	95.5	48.7	+96.2 %
Equity ratio	67.1 %	49.2 %	n / a
Financial debts	29.4	26.0	+13.2 %
Liquid funds	49.5	25.7	+92.9 %

REVENUES BY SEGMENTS 2012
EUR m



GROSS PROFIT BY SEGMENTS 2012
EUR m



2013 FINANCIAL CALENDAR

27 May 2013	Q1 report 2013
20 June 2013	Annual General Meeting
26 August 2013	H1 report 2013
11–13 November 2013	German Equity Forum 2013, Frankfurt/Main
25 November 2013	Q3 report 2013

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CONSOLIDATED FINANCIAL STATEMENT

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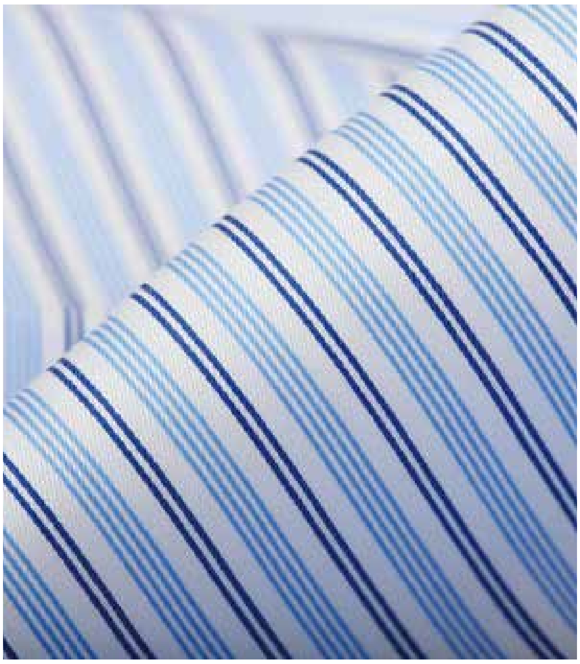
FABRICS

In our largest business segment in terms of revenue we concentrate on the fast growing domestic market of high-end fabrics in China.

We spare no efforts to keep the exceptionally high standard of quality of our fabrics. Whether anti-static, bacteriostatic, ultraviolet resistant, flame retarding or particularly skin-compatible – our fabrics are innovative and multi-functional.

Beside the quality of our products, increasing efficiency in our production process is also a top priority. Our sustainable commitment to research and development activities together with research scientists of the prestigious Jiangnan University always keeps us on the competitive edge in the industry.



We offer our customers fabrics of pure cotton including more than

6,800 DIFFERENT IN-HOUSE PATTERNS.

which enables us always to meet our customer's demands and needs.

Revenues of

EUR 113.3 MN corresponds to a growth rate of 12 % yoy

– the trend, which we have benefit from, is towards highest quality at high sales prices.

Our market share of AROUND 9 %

in this segment underlines our market leadership position in China.

TO OUR SHAREHOLDERS

LETTER TO OUR SHAREHOLDERS

Dear shareholders,

Our IPO took place successfully last year on Germany's Frankfurt Stock Exchange on 12 November 2012, and represents an important milestone in our company's history. We can look back on an eventful journey to this point, and are very pleased to have achieved this in a very difficult market environment for Chinese companies in Germany.

The high standards and transparency rules in the Prime Standard market segment of the stock exchange and the good reputation in China associated with Germany will possibly attract new (European) clients for our business in the future.

We are the market leader in the high-end segment of China's domestic yarn-dyed fabric market with an approximately 9 percent market share in 2011. Our domestic focus places us in a less competitive market, thereby allowing higher margins. Our R&D activities also have a more enhanced effect in this developing market. We purposefully invest a part of our revenues in R&D which enables us to consistently and efficiently produce high-end fabric. Investments and continuous innovation in the areas of patterns and production processes through our exclusive co-operation with Jiangnan University have already led to 21 utility model patents, with more to come. This will translate into a competitive advantage over potential competitors. Three of the patents address the optimisation of energy-saving and environmental protection in our production processes. A further major focus of our R&D is on high-count fabrics and increased functionality. We feel very comfortable to capture the growth opportunity in the domestic market with these competitive advantages.

The Chinese markets for high-end fabric, uniforms and shirts are all high-growth markets, which are expected to grow at double-digit percentage rates over the next few years. Domestic consumption for high-end fabric has developed very strongly with an approximately 12 percent share of the total Chinese fabric market in 2012, and is expected to outperform the market with continuous double-digit growth. The market for uniforms is growing steadily due to the increasing and consistent demand from state-owned enterprises and is also expected to grow at a double-digit percentage rate. The market for premium shirts is anticipated to grow further due to the luxury boom in China, which is driven by urbanisation and higher disposable incomes.

Therefore, we are also growing in the highly profitable uniforms and shirts segments, besides expanding our core business in the high-end fabric segment. We have been short-listed and pre-qualified by 19 government institutions and enterprises to supply uniforms by the third quarter of 2012. We expect excellent market conditions in the future for premium shirts due to rising private consumption in China and the increasing willingness of Chinese people to buy and support local brands.

We will focus on executing our expansion strategy in the next years: Our manufacturing sites already operate close to their full after-finishing capacity utilisation of 36 million metres. Since demand for our products is expected to increase further stemming from growing demand in all three of our segments, we intend to double our after-finishing capacity to 72 million metres in order to meet future demand. In tandem, we will increase our weaving capacity from 11 million metres to 27 million metres, and our dyeing capacity from 7,900 tons to 15,800 tons.

We are currently very well positioned in all of our three business segments. This will enable us to exploit the growth momentum in the textile market segments relevant for us to invest in further growth in order to create further value for our shareholders. Our vision is to become one of China's most sought-after and well-known textile and fashion brands.

Finally, on behalf of the entire Management Board, I would like to thank our shareholders for the trust they have placed in Firstextile AG and hope that they will continue to accompany us in our further growth.

Guofeng Yang
Chief Executive Officer

MANAGEMENT INTERVIEW

Hao Cao, Chief Financial Officer

Xinxin Wang, Director and Member of the Management Board

What are the challenges you face after the IPO on the Prime Standard of the Frankfurt Stock Exchange in Germany?

Xinxin Wang: First of all, we are very proud, of course, to have listed successfully during a time of turbulent and gloomy market conditions – and in the Prime Standard stock exchange segment which requires some of the highest international transparency standards: such as reporting in both German and English, applying robust international accounting standards (IFRS) and the need to hold at least one analysts' conference per year. However, apart from the stringent requirements, it is Firstextile's firm intention to establish regular communications with all our stakeholders such as our shareholders, analysts, media or employees, in order to inform all interested parties about Firstextile's development.

How do you see the textile markets developing?

Hao Cao: All of the market segments in which we operate – in other words, the Chinese domestic markets for high-end fabric, uniforms and shirts – are high-growth markets that we expect to continue growing at double-digit percentage rates at least in the medium term. Demand for high-end fabric will continue to outperform the overall market; the market for uniforms faces growing demand from state-owned enterprises and the market for premium shirts is driven by China's luxury goods market, which recently has become the world's number one luxury market.

How do you create value for your shareholders?

Xinxin Wang: To begin with: our strategic positioning in our core business, which is the market for high-end fabric, is special. We focus almost exclusively on China's domestic market where we are the market leader with a market share of around 9% in 2011 and benefit from higher margins, whereas many of our competitors are focused on exports which have been falling recently. Secondly, in the uniform segment, which has been launched in 2011, we were able to gain market share relatively quickly as our strategic focus lies on uniform shirts, rather than uniform suits which form the focus of our competitors. In premium shirts, on the one hand, our strategy is to use our access to government enterprises to tap into the market for corporate gifting; on the other hand, we plan to carefully grow into the retail market through distributors and also with own flagship stores, thereby steadily developing our premium "Varpum" (范佰) and "Firstextile" brands over the next few years. R&D plays a very important role as we are able to gain a tremendous competitive advantage over our competitors. This advantage is further amplified by our strategic positioning in less competitive market niches for high-end fabric and uniforms. The effect is that we create value for our shareholders. Our gross margin increased from 27.1% in 2009 to 31.4% in 2012 and our EBIT margin also grew from 15.6% to 22.3% in the same period.

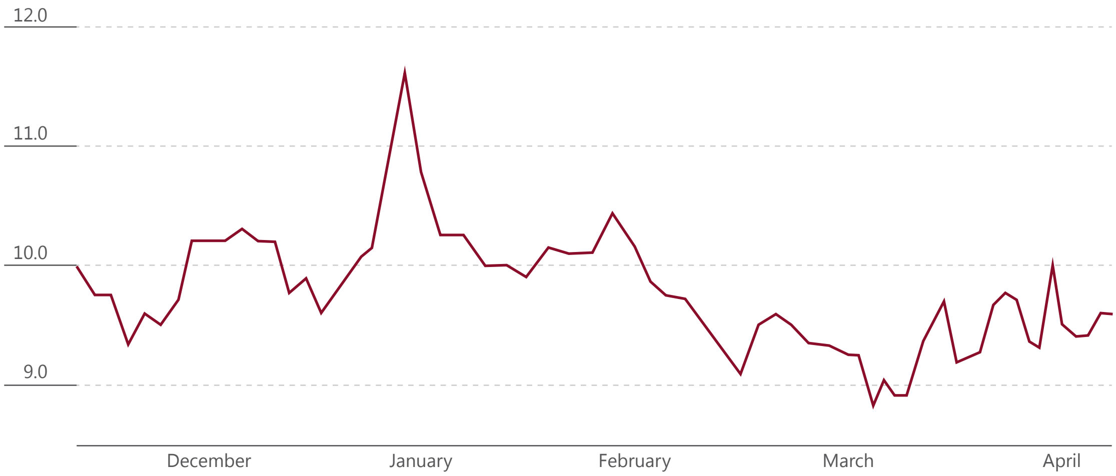
What are your expectations as to how Firstextile's business will develop?

Hao Cao: Our manufacturing facilities are operating at almost 100% of capacity. Apart from maximising our margins, we also need to double our manufacturing capacity in order to be able to meet growing demand for our products. We plan to invest approximately EUR 25 million in the expansion of capacities for after-finishing, weaving and dyeing, and around EUR 12.5 million in plant expansion. This will boost after-finishing capacities from 36 million metres to 72 million metres, weaving capacities from short of 11 million metres to 27 million metres and dyeing capacities from 7,900 tons to 15,800 tons. In this way, I expect that we will be able to fully exploit the market's growth momentum and continue our strong growth in all of our three business segments.

THE SHARE AND INVESTOR RELATIONS

SHARE PERFORMANCE

12 NOVEMBER 2012 TO 11 APRIL 2013 (IN EUR)



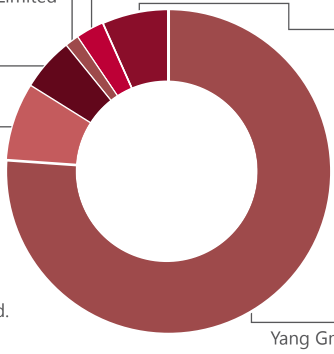
The shares of Firstextile AG have been traded on the Prime Standard segment of the Frankfurt Stock Exchange since 12 November 2012. On this first day of trading the share closed at a price of EUR 10.00 (XETRA). In 2012, the lowest closing price occurred on 16 November at EUR 9.35 with the highest closing price of the year of EUR 11.60 also being the year-end closing price on 28 December. Overall, Firstextile AG's share price increased by around 16% over the course of the year. During the subsequent months the share price fell, reaching its all-time low of EUR 8.82 on 6 March 2013. On 11 April 2013 the share price stood at EUR 9.60.

KEY SHARE DATA

Listing	Regulated market (Prime Standard), Frankfurt Stock Exchange
ISIN / WKN / Ticker	DE000A1PG8V8 / A1PG8V / FT8
Class of shares	Ordinary bearer shares
Share capital	EUR 11,800,000.00
Number of shares	11,800,000

SHAREHOLDER STRUCTURE

SHAREHOLDER STRUCTURE
AS OF 31 DECEMBER 2012



INVESTOR RELATIONS

Since its initial public offering (IPO) in the Prime Standard segment of the Frankfurt Stock Exchange, Firstextile AG has communicated actively with equity research analysts, investors and journalists in order to fulfil the high transparency standards of the Prime Standard. In this context, the company participated at the German Equity Forum 2012 in Frankfurt/Main on its first day of trading on 12 November 2012. Furthermore, the regular and prompt publication of news on the company underscores the management's goal of providing comprehensive information on the company's operations.

In the 2012 financial year the company was covered by the following research institutions:

- Macquarie Equities Research
- Warburg Research
- Edison Investment Research

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DAX
Deutsche Börse


IPO of Firstextile on 12 November
Call 09:28:15
9.50 - 11.50
14.00


10.00

CORPORATE GOVERNANCE

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

The Supervisory Board of Firstextile AG was made up of different members during the fiscal year 2012.

Until the end of an extraordinary Shareholders' Meeting on 18 October 2012 appointing Philip Ellick, Prof. Edgar Rosenberger and Chao Yu as new members of the Supervisory Board, the Supervisory Board was made up of its Chairman Guoyuan Yang, its Vice Chairwoman Faxia Wan and Linxian Wu as ordinary member. During their term of office, the Supervisory Board prepared - in a meeting on 19 March 2012 - and applied for the registration respectively incorporation of Firstextile AG. It also appointed Xinxin Wang as member of the Management Board in a meeting on 1 June 2012, proposed the appointment of BDO AG as auditor for the stand-alone and consolidated financial statements of Firstextile AG for the financial year 2012 to an extraordinary shareholders' meeting and approved the financial statements of Firstextile AG i.Gr. for the short financial year 2011, both on 18 October 2012.

Until the end of the fiscal year 2012, the newly staffed Supervisory Board consisting of Philip Ellick, Prof Edgar Rosenberger and Chao Yu fulfilled its tasks and duties in accordance with the legal requirements and Firstextile AG's Articles of Association. It continuously cooperated with the Management Board, advised it regularly and supervised the management activities. Furthermore, it was directly involved in all decisions of fundamental importance to the company and Firstextile group. The strategic planning of the company was coordinated between the Management Board and this Supervisory Board. On a regular basis, this Supervisory Board reviewed the net assets, financial position and the results of operations as well as the implementation of a risk management system. It further received written reports of the Management Board on a monthly basis. Scope and contents of the reports had been defined beforehand. So, the newly staffed Supervisory Board was routinely informed about the course of business and major business events. Besides, it also had regular phone calls and meetings with individual members of the Management Board to discuss current events and developments.

The newly staffed Supervisory Board consisting of Philip Ellick, Prof Edgar Rosenberger and Chao Yu held in total five meetings until the end of the financial year 2012. These meetings took place on 19 and 25 October 2012, 8 November 2012, 20 and 29 December 2012. The constituent meeting on 19 October 2012 also resolved upon the implementation of Rules of Procedure for the Management Board and the Supervisory Board, the meetings on 25 October 2012 and 8 November dealt with the execution of the IPO and the capital increase related thereto. On 20 December 2012, the Supervisory Board discussed the use of the IPO proceeds (development of new production facilities and capacity increase), current trading and any material developments affecting the business. Finally, the Deputy Chairman described his other business interests and we confirmed that there were no conflicts of interest.

Since the Supervisory Board was composed of only three members, the formation of committees which, in general, have to be composed of at least three members, did not take place and, apart from that, was considered not to be required because intensive and qualified discussion can be conducted in plenary meetings. In addition, the formation of a committee which only prepares decisions of the Supervisory Board was not considered to be expedient.

All decisions made during the reporting period were unanimous.

CORPORATE GOVERNANCE

On 29 December 2012, the Supervisory Board resolved unanimously upon a declaration of conformity in accordance with section 161 of the German Corporate Governance Code. This declaration has been made permanently available on the company's website www.firstextile.de within the Investor Relations section. The declaration will be updated as soon as required, be it by law or by any new facts giving rise to any amendment. Additionally, information on corporate governance is contained in the Corporate Governance Report for the purposes of Section 3.10 of the German Corporate Governance Code.

In the financial year 2012, no conflicts of interest with members of the Board or the Supervisory Board occurred which would require disclosure to the Supervisory Board and would need to be reported to the Annual General Meeting.

ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2012

In its accounts review meetings on 28 March and 22 April 2013 the Supervisory Board discussed the financial statements and the auditor's report. Particular attention was paid to the annual financial statements of Firstextile AG (prepared according to the regulations of the German Commercial Code (HGB)) and the consolidated financial statements of the entire group (prepared according to the regulations of IFRS, – International Financial Reporting Standards – as adopted by the European Union), both of which had a reporting date of 31 December 2012. In addition, the Supervisory Board reviewed the management reports for both the company and the group for the 2012 fiscal year. All documents to be reviewed in this context were submitted to the Supervisory Board in good time, so that we had sufficient opportunity to study them.

BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, audited the annual financial statements of Firstextile AG. The auditing firm conducted its audit in accordance with the German principles of proper auditing as set forth by the German Institute of Chartered Accountants (IDW). There are no concerns regarding the auditor's independence. The auditing firm reported orally, via telephone and in writing on the key results and principles of their audit; the company's internal monitoring system (and risk management system) do not exhibit any major weaknesses. In addition, the auditing firm provided detailed information about the scope and focus of their audit.

The Supervisory Board discussed the annual financial statements with the Management Board and the auditor. The Supervisory Board had no objections. The annual financial statements and consolidated financial statements of Firstextile AG, dated 31 December 2012, were approved by the Supervisory Board in a resolution dated 22 April 2013. As a result, Firstextile AG's annual financial statements, dated 31 December 2012, have been officially adopted.

The Supervisory Board expresses its gratitude to the Management Board for their excellent work, which led to a successful year for Firstextile AG.

22 April 2013

Philip Ellick
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

SUPERVISORY BOARD MEMBERS

The current members of the company's Supervisory Board are as follows:

Name	Date of birth	From	Term expires in[1]	Function
Philip Ellick	4 November 1950	2012	2013	Chairman of the Supervisory Board
Prof. Edgar Rosenberger	14 February 1953	2012	2013	Deputy Chairman of the Supervisory Board
Chao Yu	2 February 1976	2012	2013	Ordinary member of the Supervisory Board

[1] Term of office expires after the General Shareholders' Meeting that formally discharges the Supervisory Board members for the 2012 financial year.

No family relationships exist among the Supervisory or Management Board Members.

Mr. Philip Ellick

Mr. Philip Ellick is the Chairman of the Supervisory Board. He acted as a broker at Mullens & Co. from 1969 to 1974, and later for Rowe & Pitman from 1974 to 1977. Mr. Ellick subsequently acted as a dealer at the London Stock Exchange until 1977. He returned to Rowe & Pitman in 1978 and became a dealing partner in 1984. Mr. Ellick joined S. G. Warburg & Co. in 1988 and later worked for UBS as managing director (equity capital market division) after the takeover of S. G. Warburg & Co. by UBS in 1995. Mr. Ellick joined Fox-Pitt Kelton in 2003 and later served as an advisory board member for Macquarie Group Limited after the takeover of Fox-Pitt Kelton by Macquarie in 2009. He retired from Macquarie Group Limited in 2011.

Mr. Philip Ellick undertakes no principal activities outside Firstexile. Over the last five years, Mr. Ellick has not been a partner in any partnership or a member of administrative, management or supervisory bodies of any company outside of Firstextile.

Prof. Edgar Rosenberger

Prof. Edgar Rosenberger is the Deputy Chairman of the Supervisory Board and has over 25 years of experience as a manager of branded consumer goods, and over ten years of experience in the consulting business.

From 1980 to 1987, he assumed overall responsibility for the launch and development of Hennes & Mauritz ("H&M") in the German market. From 1987 to 1991 he was CEO of ESPRIT Europa. Following Prof. Edgar Rosenberger started building up IPURI GmbH, a lifestyle fashion concept and mono-brand retailer. In 2002 he launched the consulting company RETAIL BRAND SERVICES. In August 2011 he was appointed as Adjunct Professor at the Copenhagen Business School, Copenhagen, Denmark.

Over the last five years, Prof. Edgar Rosenberger has been a partner in the following partnerships or a member of administrative, management or supervisory bodies of the following companies outside of Firstextile AG:

Current

- Clas Ohlson AB / Supervisory Board Member
- REIMA OY / Supervisory Board Member
- German Swedish Chamber of Commerce / Supervisory Board Member

- Brand Services / Managing Director
- IPURI GmbH / Managing Director
- BRAND VENTURES / Managing Director

Past
- Jack Wolfskin Ausrüstung für Draussen GmbH & Co. KGaA / Supervisory Board Member
- Sportland Eesti AS / Supervisory Board Member (Chairman)

Ms. Chao Yu

Ms. Chao Yu is an ordinary member of the Supervisory Board. She studied business and administration at École Supérieure de Gestion et Commerciale, Paris, France in 2002 and received her Master of Business Administration (MBA) from Institut des Hautes Études Économiques et Commerciales, Paris, France in 2004. Ms. Yu has over seven years of management experience in the textile and electronics industry. From 2001 to date, Ms. Yu has served as the director of Wuxi Super Electronic Co., Ltd., a Chinese electronic company. Ms. Yu has also served as the General Manager of Billion Fame Co., Ltd., a Hong Kong textile company, since 2009.

Outside of Firstextile, Ms. Yu also acts as director of Wuxi Super Electronic Co, Ltd. and general manager of Billion Fame Co, Ltd. Over the last five years, Ms. Yu has been a partner in the following partnerships or a member of administrative, management or supervisory bodies of the following companies outside of Firstextile:

Current
- Wuxi Super Electronic Co., Ltd. / Director
- Billion Fame Co, Ltd. / General Manager

Past
- None

CORPORATE GOVERNANCE STATEMENT

The Managing and Supervisory Boards issued the declaration required by Section 161 of the German Stock Corporation Act (AktG) on 29 December 2012, and made it accessible to shareholders on the company's website at www.firstextile.de within the Investor Relations section.

AVOIDING CONFLICTS OF INTEREST

In the 2012 financial year, no conflicts of interest among members of the Management or Supervisory boards occurred that would require disclosure to the Supervisory Board and the Annual General Meeting.

After thorough examination, the Supervisory Board believes that the business relationships named above do not affect the judgment of the members concerned and do not interfere with the independent consultation with and monitoring of the Managing Board by the Supervisory Board. It is the Supervisory Board's view that it includes a sufficient number of independent members.

SHAREHOLDINGS OF BOARD MEMBERS AND DIRECTORS' DEALINGS

As of the date of publication of this report, Chief Executive Officer Guofeng Yang indirectly held 9,009,300 shares in the company, corresponding to 76.35 % of the capital stock of Firstextile AG.

No other shareholdings of members of Firstextile AG's Management or Supervisory boards existed as at the date of publication of this report.

No notifiable directors' dealings occurred until the date of publication of this report. Besides this, all future directors' dealings will be published on the company's website at www.firstextile.de in the Investor Relations section under "Corporate Governance".

REMUNERATION REPORT

For the remuneration report, please refer to the Group management report on pages 31 to 32. The Remuneration Report summarises the principles applied in determining the compensation paid to members of Firstextile AG's Managing Board and also discloses the amount and structure of their payments as well as the compensation paid to the Supervisory Board.

ANNUAL GENERAL MEETING

Firstextile will hold its first Annual General Meeting (AGM) on 20 June 2013. The AGM provides a welcome opportunity for the management to deepen its dialogue with Firstextile's investors. By participating in the AGM the shareholders will shape the company's profile together with the management by exercising their (voting) rights in person or by proxy. Firstextile believes that the AGM represents an important investor relations instrument and an excellent opportunity to communicate with all its investors.

ACCOUNTING AND AUDITING

The Group's financial year runs from 1 January to 31 December. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively referred to as "IFRS") issued by the International Accounting Standards Board ("IASB"), including the IFRS Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), as adopted by the European Union ("EU IFRSs"). The financial statements have been prepared under the going concern assumption. The principal accounting policies adopted in the preparation of the consolidated financial statements are set out in the notes to the consolidated financial statements.

The policies have been consistently applied to all the financial years presented, unless otherwise stated. The consolidated financial statements have been generally prepared under the historical cost principle unless otherwise stated.

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries as if they formed a single entity. Intercompany transactions, balances, income, expenses, profits and losses resulting from inter-group transactions are therefore eliminated in full. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for similar transactions and events in similar circumstances.

The annual individual financial statements of Firstextile AG are prepared in accordance with the provision of the German Commercial Code and supplementary provisions of the company's articles of association.

The company's Management Board is responsible for preparing the consolidated and individual financial statements, as examined by the Supervisory Board, and as audited by an independent auditor and approved by the AGM.

SHIRTS

In our most profitable segment, our premium men's shirts that are made from pure cotton easily meet the topmost quality demands of our customers in the luxury segment.

"Firstextile" and "Varpum" – our brands stand for high-end premium shirts "Made in China".

We focus on offering customers our own branded shirts in exclusive stores within China. We have continuously and successfully expanded our distribution network through retail stores since 2011.

An improvement to

of GROSS PROFIT MARGIN to 78.7%

stands for exceptional profitability in this segment.

55.1% INCREASE IN REVENUES up to EUR 19.5 mn – our strategy pays off thanks to high-end quality and expansion of our retail distribution.

Currently we already market our high-end premium men's shirts through

10 RETAIL STORES

in China – additional will follow in future.

GROUP MANAGEMENT REPORT

BUSINESS ENVIRONMENT

ECONOMIC ENVIRONMENT

GLOBAL ECONOMIC CONDITIONS

Global economic growth stabilised at a low level during the second half 2012. Emerging economies reported the strongest growth, although at lower levels than in the previous year. In contrast, most of the economies in industrialised countries registered only minimal growth in 2012. In Europe, most of the economies in the Euro area stalled – and some contracted. For the full 2012 year, economists at the German Kiel Institute for the World Economy (IfW) calculate that the global economy bottomed out at a growth rate of 3.1% (previous year: 3.8%), and forecast a global growth rate of 3.4% for 2013 and 4.0% in 2014.

ECONOMIC TRENDS IN CHINA

China's economy growth rate dropped to 7.8% year-on-year in 2012, down from 9.2% in the previous year, according to data from IfW. The Chinese economy seems to be stabilising at this level and certain indicators such as the total retail sales developed positively, particularly since September 2012. For 2013 the economists of the IfW forecast a growth of even 8.0% year-on-year and 7.5% for 2014.

THE TEXTILE INDUSTRY IN CHINA

Fabric market

Firstextile's core market, the domestic high-end fabric market, is highly fragmented. The top five companies including Firstextile accounted for only 26% of the total market in 2011, with Firstexile occupying a market-leading position with a 9% market share in this segment. High barriers to entry for new market players exist in the high-end fabric market, however. Major capital investments in equipment, technical know-how concerning the quality and efficiency in the dyeing and after-finishing process as well as capability in R&D for proprietary pattern designs and production process innovation are necessary to consistently deliver high-quality yarn-dyed fabrics.

In 2012, the overall Chinese market for yarn-dyed fabrics grew by around 4.9% year-on-year in terms of production volume to 3,275 million meters, according to estimates produced by Roland Berger. Within this market, the growth of the domestic market for high-end fabric (cotton count >70), as Firstextile's relevant target market, is calculated to have been even higher. This segment should have reached 393 million meters in 2012, an increase of 14.5% compared to the previous 2011 year. Roland Berger predicts that both the overall market and the high-end segment will witness further growth in 2013 and 2014. As a consequence, the market for yarn-dyed fabrics in the current year should reach a production volume of 3,441 million meters (+5.1% year-on-year) in 2013 and 3,634 million meters in 2014. Demand for high-end fabric is forecast to be 447 million meters (+13.8%) and 482 million meters respectively.

Personal shirt market

The personal shirt market in China largely depends on private consumption in the PRC. In its Twelfth Five-Year Plan the Chinese government aims the goal to continue transitioning to an economy driven by consumption within the PRC instead of exports by establishing a macro-environment that encourages domestic private consumption. Deutsche Bank expects China's private consumption growth at 8.4% in 2012 and 8.8% in 2013 due to the growing disposable income of Chinese consumers. They also forecast 8.8% growth for 2014.

In 2012, the personal shirt market volume in China is expected to reach 810 million shirts, corresponding to a growth rate of 7.3%. This growth should also continue in 2013 and 2014. Roland Berger forecasts market volume at 870 million shirts in 2013 (+7.4% year-on-year) and 945 million shirts in 2014 (+8.6% year-on-year). Similarly, prices of personal shirts are also expected to continue to increase. This is due to assumed growing prosperity in the PRC, resulting from the increasing consumption of more expensive personal shirts by Chinese consumers. As a consequence, in terms of value, Roland Berger estimates the CAGR on the Chinese personal shirt market between 2012 and 2014 at 7.3% from RMB 203 billion (c. EUR 25 billion) to RMB 251 billion (c. EUR 31 billion).

The Chinese apparel market for luxury and premium products continues to grow strongly, since China is already the world's largest luxury goods consumer market at the end of 2012, and is expected to account for one third of global sales in 2015. For this reason, within the personal shirt market, the premium shirt segment (price ≥ RMB 1,000; c. EUR 123) as Firstextile's target market is expected to grow fastest at a CAGR of 11.3% in terms of volume between 2012 and 2014. This strong growth is driven by increasing demand for high quality products and expensive brands and the general strong increase in demand for luxury apparel.

Uniform market

In its Uniform segment, Firstextile mainly focuses on uniform shirts as a part of the overall uniform market. The growth in the Chinese uniform market is driven by an increasing consumption of uniforms by a high number of both state-owned institutions and enterprises as well as private enterprises. Private enterprises mainly order uniforms because they are required by law to use uniforms, to enhance corporate identity or to establish employee welfare. Contracts for the sale of uniforms, uniform shirts and uniform fabrics are usually awarded through a bidding process organised by the respective customers (for example, government institutions or enterprises), in which a certain number of suppliers are selected as short-listed suppliers. Individual orders are then placed among these shortlisted suppliers in bidding processes.

Five main sectors exist with more than 26 sub-industries that are current or potential users of uniform shirts in the PRC: the government sector itself (for example, the army, police forces, judicial authorities, ministries and other authorities), state-owned enterprises (for example, airlines and tobacco), public institutions (for example, railway, hospitals and China Post), non-state-owned enterprises and the service sector. A number of government departments (for example, customs) and enterprises and institutions operating in certain industries (for example, airline industry) are obliged by law to wear uniforms.

Since 88% of the consumption of uniform shirt is state-driven, demand on the market is independent of consumer spending patterns and consequently very stable. The overall market for uniform shirts will account for 91 million shirts in 2012 according to Roland Berger, with volumes up by 8.3% year-on-year. In 2013 and 2014, market volume is expected to grow by 7.7% to 98 million shirts and 8.2% to 105 million shirts respectively. This strong growth is mainly due to the increased use of uniforms by enterprises. Moreover, the value of the Chinese uniform shirt market is expected to grow at a CAGR of 8% until 2014 from RMB 12.2 billion (equal to EUR 1.5 billion) in 2012 up to RMB 15.4 billion (equal to EUR 1.9 billion) in 2014. This growth is driven by both volume and price increases. The strong bargaining power of large buyers that dominate the Chinese uniform shirt market limits price growth, however.

OVERALL MARKET ENVIRONMENT

Since Firstextile's business is focused on the domestic Chinese market, its business development is not directly influenced by economic factors in other regions of the world such as the Euro crisis in Europe or very high indebtedness in the USA. In its positive economic outlook for the coming years in the PRC, Firstextile's management identifies a very good foundation for further growth in the company's business. The segmental environment in the three business units of Fabrics, Shirts and Uniforms is also quite positive with high increases in volume and value continuing over the next years. For this reason, the company's management is highly confident overall in its ability to continue its strong growth under these market conditions.

COMPANY SITUATION

Firstextile is the leading manufacturer of high-end yarn-dyed fabric for the Chinese market with its three business segments: Fabrics, Uniforms and Shirts. The tailoring of shirts and other apparel for the Uniform and the Shirt segment and the production of uniform suits is outsourced entirely to OEM garment manufacturers. Firstextile has an annual production capacity of approximately 36 million metres of fabric, and aims to double after-finishing capacity to 72 million metres in 2013 in order to meet future demand. In connection with this, weaving capacity will also be increased from almost 11 million metres to 27 million metres and dyeing capacity from 7,900 tons to 15,800 tons.

Besides macroeconomic growth and the market environment of all of the company's relevant segments, its business performance also depends on additional factors such as material costs, costs of contract manufacturing, utility and direct labour costs. Accounting for 75.1% in 2012 (2011: 76.0%), material costs formed the largest part of Firstextile's cost of sales. Cotton yarn represents the major part of these raw material costs. In 2012, the average purchase price of yarn for Firstextile was RMB 93.42 per kg (2011: RMB 76.20 per kg). Contract manufacturing with a share of 14.6% (2011: 13.0%), and direct labour costs accounting for 1.4% (2011: 1.6%), are mainly influenced by general labour cost levels in China. The company's production costs are also impacted by prices for utilities such as water, electricity, natural gas and steam. These represented 2.8% in 2012 (2011: 3.5%). Since these utility prices are mainly influenced by government policy, in the 2012 financial year they remained at a similar level to in 2011. Firstextile currently applies a pricing policy whereby it only accepts customer orders and agrees on the product price once it has secured the necessary yarn supply and consequently knows the yarn supply price and the other production costs, including utility costs. Through this pricing model, Firstextile is generally able to pass increases in production costs per product unit on to its customers.

Fabric
In its fabric segment, Firstextile produces yarn-dyed fabric with a focus on high-end fabric. The segment also comprises the sale of uniform fabric, which is mostly produced from a mixture of fibres, including synthetic fibres. The high-end yarn-dyed fabric developed by Firstextile includes high cotton count and high density fabric as well as fabric with various functionalities such as anti-static, bacteriostatic, ultraviolet resistant, flame retarding and skin protection. The pure cotton yarn-dyed fabric produced by Firstextile obtained the Öko-Tex Standard 100 certificate, which was awarded as the fabric is free from harmful substances and therefore generally suitable for direct use on the skin. With the capability of offering more than 6,800 fabric pattern designs by the end of 2012, Firstextile meets a wide range of demands and requirements from its customers by providing them with specifically designed fabric.

Customers for fabric in China comprise trading companies and apparel manufacturers. Although uniform fabric is distributed via bidding processes of government institutions and enterprises, uniform fabric is, on the instruction of and in accordance with the terms and conditions agreed with the respective government institution or enterprises, actually sold to the apparel manufacturers that tailor the uniform for the respective government institutions or enterprises. The top five customers in 2012 represented 16.2% of the revenues in the fabric segment (2011: 19.7%).

Uniform
Firstextile launched its segment for uniform shirts and suits in early 2011. The company produces the fabric for its uniform shirts based on clients' specific requirements (typically made of a mixture of cotton and synthetic fibres), while sewing is outsourced to OEMs. In addition, Firstextile offers entire uniforms consisting of suits and shirts and also offers sweaters and other accessories if required by customers. Depending on the requirements of the customer, fabric for uniform shirts is equipped with special functionalities such as odour, water or oil resistance. Products in the uniform segment are distributed to government institutions and state-owned enterprises.

The Chinese uniform shirt market mainly operates via bidding processes organised by the respective customers such as government institutions or enterprises, in which a certain number of suppliers are selected as short-listed suppliers. As of 31 December 2012, Firstextile has been selected as a short-listed supplier for uniforms to 19 government institutions and enterprises including, for example, China Railway, the State Administration of Taxation, China Security Association, the Ministry of Justice, China Unicom and Bank of Communications. The top five customers in 2012 represented 37.8% of revenues in the uniform segment (2011: 41.9%).

Shirts
In its shirt segment, Firstextile sells own branded premium men's shirts made from its own high-end yarn-dyed fabric. Design is realised in-house while sewing is outsourced to OEMs. Firstextile's premium shirts are offered under Firstextile's "Varpum" (范佰) and "Firstextile" brands. While "Firstextile" is designed for the wholesale business, "Varpum" (范佰) shirts are sold through retail stores. The recommended sales price including VAT range from RMB 2,388 (around EUR 290) to RMB 5,280 (around EUR 640) for "Varpum" (范佰) branded shirts. Between 40 and 50 different shirt patterns are available and the customer can choose between various sleeve and collar designs. The portfolio of shirts is continuously changing according to market developments, seasons and fashion trends. In the future, Firstextile plans to also offer made-to-measure shirts in retail shops. Shirts are sold to government institutions and enterprises that buy them as corporate gifts and through distributors or own retail shops.

Contracts with distributors provide for the authorisation of the distributor to sell shirts under the "Varpum" (范佰) and "Firstextile" brands. They have a term of three years and may be renewed by the parties through negotiation prior to the expiration of the relevant contracts. The first retail store exclusively selling Firstextile's own branded shirts and operated by a distributor was opened in March 2011 in Jiangyin. The second distributor-operated retail store was opened in Yixing in December 2011. As of 31 December 2012, a total of six distributor-operated retail stores were opened in Beijing, Hainan, Yangzhou, Changzhou, Wuxi and Suzhou, respectively.

In addition, two self-operated stores were opened in 2012 in Zhengzhou and Qingdao, respectively. A total of ten stores selling Firstextile's branded shirts now operate in mainland China. For the marketing of its shirts, it is important that Firstextile successfully establishes a retail distribution network, and a further expansion of the retail distribution network is consequently planned in 2013. Firstextile incurs no costs in opening distributor-operated stores. In the case of stores operated by the company itself, the management estimates that the start-up costs (decoration costs, rent, salaries and miscellaneous expenses for the first year) for establishing a Firstextile store will range between RMB 3.0 million (EUR 370 thousand) and RMB 8.0 million (EUR 980 thousand) depending on the stores' size, grade and location.

GROUP STRUCTURE

The Firstextile group comprises the listed company Firstextile AG, Frankfurt, Germany, and its direct and indirect wholly-owned subsidiaries, China Firstextile (Holdings) Limited ("Firstextile Hong Kong"), Hong Kong, Jiangyin Firstextile Co., Ltd. ("JFT"), Jiangyin, China and Jiangsu Fanbai Men's Apparel Co., Ltd. ("JFB"), Jiangyin, China. Firstextile's operating activities are realised by its subsidiaries domiciled in China. The corporate structure of Firstextile is presented in the chart below:

BUSINESS LOCATIONS

Firstextile operates modern production facilities in Jiangyin, Jiangsu Province, China, which is one of the main centres of the Chinese textile industry. The production facilities were established in 2007 when Firstextile launched its business operations.

EMPLOYEES

As at 31 December 2012, Firstextile employed a total of 766 staff. Firstextile does not employ temporary contract workers. The table below provides a breakdown of the number of employees as at 31 December 2011 and 2012 respectively:

Category of employees	**2012**	2011
Management and administration	81	50
Sales, marketing and purchasing	123	133
Research and development	39	42
Production and quality assurance	523	524
Total employees	**766**	**749**

RESEARCH AND DEVELOPMENT

Firstextile considers product and production-related research and development ("R&D") as one of its main competitive strengths, since fabric production is highly automated, capital-intensive and engineering-driven. The company is equipped with strong R&D capability, with both in-house and external R&D facilities. R&D targets four major research fields: (i) high-count fabric, (ii) fabrics functionality, (iii) efficiency of fabrics production processes, and (iv) minimising the environmental impact of production. In 2012, Firstextile dedicated 1.6% of its revenue to R&D. Firstextile's R&D department consisted of 39 employees as at 31 December 2012. The company's in-house R&D department consists of three teams focusing on (i) research, production and product development, (ii) producing samples and (iii) testing fabric and yarn functionalities.

In addition to its in-house R&D department, Firstextile established a long-term collaboration with Jiangnan University, China. Jiangnan University, which is located in Wuxi, Jiangsu Province, in proximity to Firstextile's premises, is one of the key universities in textile research and is renowned for its textile engineering expertise. In 2008 Firstextile and the Jiangnan University set up the Jiangnan University Firstextile Special Function Fabric Research Centre. This Research Centre is led by Dr. Binyao Deng, who was engaged as an expert in preparation of the Twelfth Five-Year-Plan of the Chinese government with regard to the textile industry. At the end of

2012, the Research Centre had 15 part-time researchers and allows selected postgraduate students to research both at the university as well as at Firstextile's laboratories. The Research Centre consists of four laboratories, which focus on (i) new fibres and products, (ii) functionality, (iii) enzyme technology, which ensures a more environmental friendly production process and (iv) processing techniques.

The cooperation between Firstextile and the University is structured as follows: Firstextile with its daily insights on the needs of the industry provides market information to Jiangnan University. Based on this information the university makes new product development proposals, suggests technical instructions for new product developments and assists Firstextile in developing product prototypes. Firstextile and Jiangnan University co-own all of the research and development achievements of the Research Centre. Besides this, both parties have agreed that Firstextile should have exclusive rights to apply the research results of the Research Centre in its own business operations, and the Research Centre aids the company in applying for patents.

Government subsidies have been granted to Firstextile to develop environmental protection and functional fabric. Three products in such fields have been approved to be an innovative product at provincial level, and one new product has been approved to be a high and new technology product in Jiangsu Province. As a consequence, Firstextile was recognised as "High and New Technology Enterprise" in Jiangsu Province and "Special Function Fabric and Apparel Engineering Research Centre" in 2010.

The successful co-operation has already led to 21 utility model patents relating to process improvements, product functionality, product design and environmental protection with six patents pending. The most important utility model patents relate to systems allowing for water and power saving during the dyeing process, energy efficiency systems in the after-finishing process, as well as certain fabric functionalities.

Firstextile also believes that in the future investments in R&D will play an important role in strengthening and improving its competitive position as a manufacturer of high-quality yarn-dyed fabric. The company consequently plans to continue to enhance its R&D activities in various areas such as uniform fabric, which is frequently required to offer certain functionalities that can be created through particular fabric structures, the use of certain chemicals or raw materials in the after-finishing process. The main focus of its R&D activity will continue to lie on the efficient production of high-end fabric, the creation of certain fabric functionalities and the reduction of chemicals used in the production process, thereby also minimising the environmental impact. For example, Firstextile is currently exploring the opportunity to replace certain chemicals traditionally used in the fabric production process by new processing techniques and the use of biological enzymes. Firstextile intends to maintain its R&D expenses at an amount between 1.5% and 2% of revenue.

NOTES ON THE RESULTS AND ANALYSIS OF THE FINANCIAL SITUATION

RESULTS OF OPERATIONS

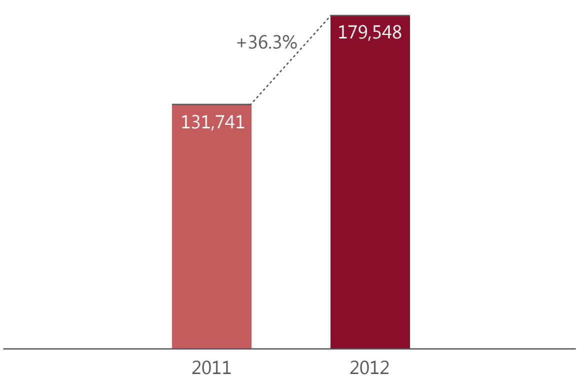
The financial information presented in this report was prepared in Euros (EUR); however, Firstextile's functional currency is the Renminbi (RMB), which is currently not freely convertible. The data contained in the consolidated income statement were translated to Euro with EUR 0.1112 per RMB for 2011 and EUR 0.1234 per RMB for 2012. Due to the change in the EUR/RMB currency exchange rate, the change in the income statement items from 2011 to 2012 is more positive when expressed in EUR than when expressed in RMB. Measured in RMB, Firstextile's consolidated revenues in 2012 increased by 22,8% over the previous year period (compared to an increase of 36,3% in EUR), and its net profit by 22,5% (compared to an increase of 35,9% in EUR).

The following table presents the income statement data of Firstextile AG for 2012 on a consolidated basis, with comparative data for the previous-year periods:

kEUR	1.1.2012 – 31.12.2012	1.1.2011 – 31.12.2011
Revenue	179,548	131,741
Cost of sales	-123,117	-90,995
Gross profit	56,431	40,746
Other income	297	287
Distribution and selling expenses	-5,693	-5,243
Administrative and general expenses	-8,122	-4,386
Research and development expenses	-2,959	-2,238
Net finance costs	-1,770	-1,291
Profit before tax	38,184	27,875
Tax expense	-5,652	-3,935
Net profit	**32,532**	**23,940**

The positive development in revenue, which increased by 36.3 % to kEUR 179,548 in 2012 (previous year: kEUR 131,741), is attributable to strong revenue increases in all three business segments, and especially in the uniforms segment.

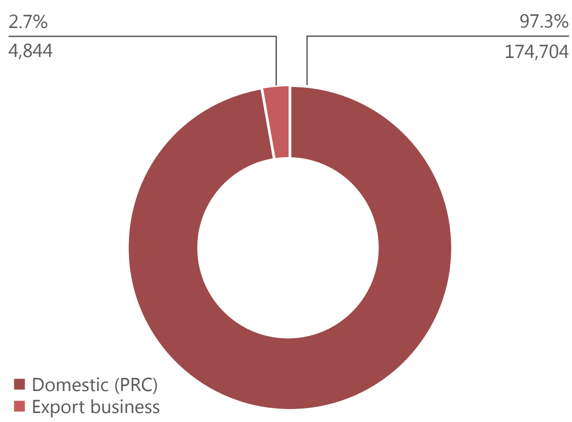
Revenue
kEUR



Geographically, 97.3 % of revenue or kEUR 174,704 was generated on the domestic Chinese market, with only 2.7 % of revenue or kEUR 4,844 resulting from direct exports in 2012.

Compared to the previous year the domestic share increased by five percentage points as in 2011 92.1 % or kEUR 121,335 of revenue stemmed from the domestic market and 7.9 % or kEUR 10,406 from exports. This reflects Firstextile's strategic focus on the Chinese market where, particularly in the high-end segment, more attractive gross profit margins can be achieved than with exports:

Revenues by regions
kEUR



In the fabric segment, the revenue increase of 11.9% to kEUR 113,325 compared to kEUR 101,247 in 2011 was largely attributable to an increase in the average selling price due to the shift in the product mix towards high-end fabric, rather than to growth in volume sold.

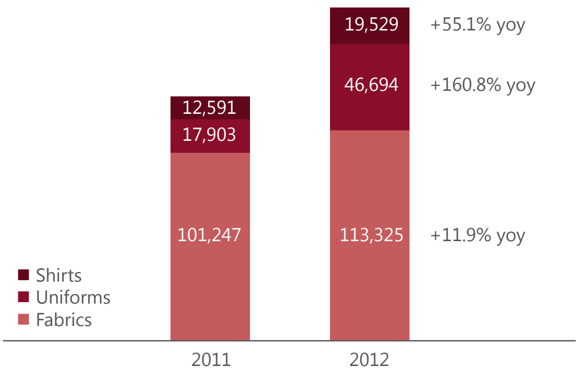
In 2012, the uniform segment, which commenced operations in 2011, was the largest contributor to revenue growth by more than doubling its revenues from kEUR 17,903 in 2011 to kEUR 46,694 in 2012, which represents an increase of kEUR 28,791 or 160.8% compared to 2011. After Firstextile obtained status as a pre-approved supplier for government institutions and enterprises through 2011 and 2012, the company was included on a short list with 19 entities for potential supply of uniforms which materialised into large orders in 2012 and a corresponding increase in revenues. However, revenues in the uniform segment depend on relatively few large orders, so that an above-average fluctuation in revenues might occur quarter-on-quarter.

In the shirt segment revenue grew by 55.1% to kEUR 19,529 in 2012 (2011: kEUR 12,591).

The increasingly dynamic growth of revenues in the shirt segment was triggered by the continued roll-out of Firstextile's retail distribution network in 2012. In 2012, Firstextile added eight additional retail stores (in Beijing, Hainan, Yangzhou, Changzhou, Wuxi, Suzhou, Zhengzhou and Qingdao, respectively) to the two existing ones (in Jiangyin and Yixing, respectively) that had already been opened in 2011. This growth is largely attributable to an increase in volumes sold. The average selling price per shirt remained relatively stable.

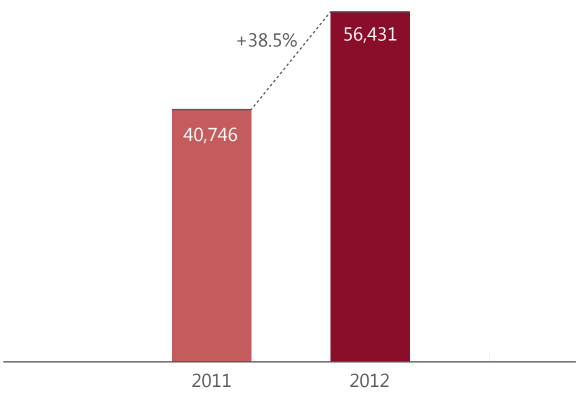
The chart below show the revenue trends per business segment:

Revenue by segment
kEUR



Due to the expansion of the operating activities in all of the company's business segments costs of sales increased slightly below revenues by 35.3% to kEUR 123,117 in the 2012 financial year (2011: kEUR 90,995). As a result gross profit even increased two percentage points higher than revenue by 38.5% to kEUR 56,431 (2011: kEUR 40,746) and therefore continuing to maintain a strong gross profit margin of 31.4% in 2012. The main drivers for this improvement were the above average gross profit margins in the shirt segment and an improvement of the gross profit margin generated in the fabric segment. This more than compensated for the deterioration of the gross profit margin in the uniform segment.

Gross profit
kEUR



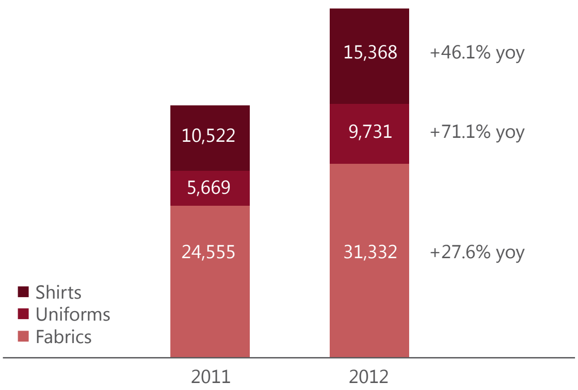
In 2012, the gross profit in the fabrics segment increased by 27.6 % to kEUR 31,332 (2011: kEUR 24,555), disproportionately faster than segment revenue growth, which was up by 11.9 %, lifting the segmental gross profit margin from 24.3 % in 2011 to 27.6 % in 2012. This evidences the success of Firstextile's strategy of focusing on the high-end segment of the Chinese shirt fabrics market, where attractive gross profit margins can be achieved.

Even at a growth rate of 71.7 % to kEUR 9,731 in 2012 (2011: kEUR 5,669), gross profit in the uniform segment failed to keep pace with the segment revenue growth of 160.8 %, resulting in gross profit margins of 20.8 % in 2012 compared to 31.7 % in the preceding year. This development is attributable to the fact that large orders which Firstextile received mainly in 2012 carry lower gross profit margins than the smaller orders which comprised the majority of revenues in 2011.

Gross profit in the shirts segment increased by 46.1 % to kEUR 15,368 in 2012 (2011: kEUR 10,522), which is slightly less than the revenue increase of 55.1 %. It should be noted that marketing expenses and costs incurred in connection with the opening of new retail outlets are reported under selling and distribution expenses, and are consequently not reflected in the segmental gross profit margin. The gross profit margin in the shirts segment amounted to 78.7 % in 2012 compared to 83.6 % in 2011.

The segmental gross profit reported the following changes:

Gross profit by segments
kEUR



Compared to 2011, other income in 2012 stayed on a stable level and amounted to kEUR 297 (2011: kEUR 287). It comprised mainly government rewards and incentives received. Distribution and selling expenses rose slightly in the financial year under review by kEUR 450 to kEUR 5,693 (2011: kEUR 5,243). This increase is mainly driven by increased staff salaries incurred in connection with the expansion of the distribution network by the opening-up of new retail outlets in 2012. Besides this, administrative and general expenses also increased in 2012, to kEUR 8,122 (2011: kEUR 4,386), which is due to one-off IPO costs (kEUR 3,000) as well as higher administrative expenses in connection with the Frankfurt Stock Exchange listing. Underlining its great importance for Firstextile, expenses for research and development were up by 32.2 % to kEUR 2,959 in 2012 (2011: kEUR 2,238).

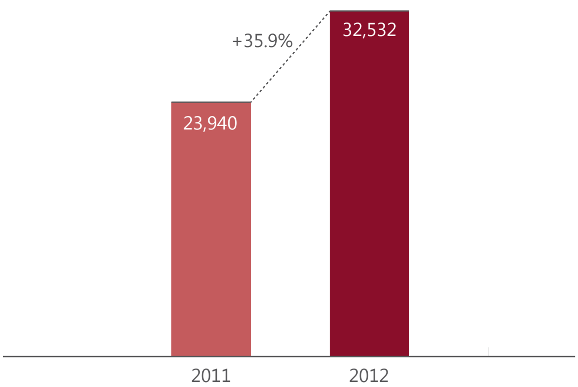
Total earnings before interest and tax (EBIT) amounted to kEUR 40,056 in the 2012 financial year, representing an increase of 36.3 % year-on-year (2011: kEUR 29,393) and an EBIT margin of 22.3 % (2011: 22.3 %). Adjusted for the non-recurring charge for the IPO costs the EBIT margin even improved to 24.0 %.

Net finance costs amounting to kEUR 1,770 in 2012 were above the previous year (kEUR 1,291) and attributable to an increase in interest expenses on short-term loans. Consequently, earnings before tax stood at kEUR 38,184

(2011: kEUR 27,875). Tax expenses for the respective taxation authorities are calculated at the rates prevailing in these jurisdictions. During the financial years 2012, the applicable enterprise tax rate for the respective consolidated entities is as follows: (I) Firstextile AG: 31.9%, (II) Firstextile Hong Kong: 16.5%, (III) JFT: 12.5%, and (IV) JFB: 25.0%. The tax rate for Firstextile AG is calculated taking into account the corporate income tax including the solidarity surcharge and the trade tax of its current place of incorporation. JFT as a foreign-invested entity enjoyed a 50% tax rebate in 2012. Less this tax incentive, the company's tax expenses rose to kEUR 5,652 compared to kEUR 3,935 in 2011. This increase is due to the profit growth in the 2012 financial year.

Firstextile's net profit grew by 35.9% to kEUR 32,532 (2011: kEUR 23,940) with a net profit margin decrease slightly to 18.01% in 2012, down from 18.2% in 2011. After adjusting for the non-recurring charge of kEUR 3,000 for the IPO costs, the net profit margin improved to 19.8%. Besides the higher gross profit margin in the fabrics and shirts segments, which offset the lower gross profit margin in the uniform segment, this positive development is mainly attributable to economies of scale across the various cost items – mainly selling and distribution expenses, as well as administrative and general expenses.

Net profit
kEUR



On the basis of a time-weighted average number of 10,256,000 ordinary shares earnings per share in 2012 amounted to EUR 3.17 after EUR 2.39 in the previous year.

FINANCIAL POSITION

As of 31 December 2012, Firstextile's total assets amounted to kEUR 142,337 (31 December 2011: kEUR 98,878) due to its increased business activity during 2012.

When compared with Firstextile's balance sheet as of 31 December 2011, the balance sheet as of 31 December 2012 reports increased current assets of kEUR 110,430 (+69.5%; 31 December 2011: kEUR 65,136) in line with the company's higher level of business activity. Resulting from this business expansion inventories rose to kEUR 13,458 (31 December 2011: kEUR 7,240). Trade and other receivables also reported a sharp year-on-year increase. Representing almost exclusively trade receivables this balance sheet item was at kEUR 47,463 after kEUR 32,237 at the end of the previous year. Trade receivables are non-interest bearing, and the normal trade credit term granted by the company is sixty days. Cash and cash equivalents stood at kEUR 49,509 as of 31 December 2012 (31 December 2011: KEUR 25,659) mainly due to the gross proceeds from the IPO in November 2012.

Besides this, non-current assets fell slightly to kEUR 31,907 (31 December 2011: kEUR 33,742), mostly representing scheduled depreciation of property, plant and equipment. As in the previous financial year, non-current assets as of 31 December 2012 derived mainly from property, plant and equipment amounting to kEUR 28,044 (31 December 2011: kEUR 29,761). Land use rights remained almost unchanged at kEUR 3,767 as at the end of the 2012 financial year (31 December 2011: kEUR 3,882).

As of 31 December 2012, current liabilities decreased by 6.7% to kEUR 46,815 (31 December 2011: kEUR 50,191). In this context, borrowings increased by 13.2% to kEUR 29,427 (31 December 2011: kEUR 25,991). All borrowings are short-term bank loans denominated in RMB. Firstextile increased its borrowing levels with a view to financing the intended expansion of the production facilities, with the aim, in turn, of doubling its existing production facilities. On the other hand, trade and other payables fell to kEUR 13,972 at the end of 2012 (31 December 2011: kEUR 20,745). This development was mainly due to a decrease in trade payables and advance payments from customers. As of 31 December 2012, the company's total equity amounted to kEUR 95,522, reflecting an equity ratio of 67.1% (31 December 2011: kEUR 48,687; 49.2%). The increase in total equity is the result of the capital increase in connection with the IPO in November 2012 as well as a strong growth in retained earnings.

CASH FLOWS

Firstextile's cash flow in the narrower sense (annual net profit plus depreciation, adjusted for interest expenses/income and net foreign exchange gains) totalled kEUR 43,226 in 2012 (2011: kEUR 31,870). Compared to 2011, inventories as well as trade and other receivables increased as a result of the company's strong growth in business activity during 2012. Cash flow from operations consequently amounted to kEUR 14,393 in 2012 (2011: kEUR 25,390). Net cash flows generated by operating activities were at kEUR 9,547 compared to kEUR 22,090 in 2011.

After posting a negative cash flow from investment activities totalling kEUR -2,717 in 2011, negative cash flow in this area totalled kEUR -1,431 in the 2012 financial year. This was primarily the result of lower investments in property, plant and equipment.

By contrast, cash flow generated from financing activities increased significantly to kEUR 16,410 in 2012 compared to a negative cash flow of kEUR -3,950 in the previous year. This is due to the inflow by increasing short-term loans as well as proceeds received during the IPO in 2012 in the context of the target to expand Firstextile's production, weaving and dyeing capacities. Taking changes to currency exchange rates into account, Firstextile's cash and cash equivalents at the end of the 2012 financial year totalled kEUR 49,509 (2011: kEUR 25,659).

CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are: (i) to ensure the Group's ability to continue as a going concern; (ii) to ensure sufficient capital to achieve the Group's strategic goals; and (iii) to provide an adequate return to shareholders by pricing products commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity, loans and cash and cash equivalents as presented in the combined statements of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, in other words, equity and financial liabilities. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

OVERALL VIEW OF FIRSTEXTILE'S ECONOMIC AND FINANCIAL POSITION

The 2012 financial year was a very successful year for Firstexile. Thanks to the positive market environment in all the company's business units, Firstextile was able to expand its annual revenues from kEUR 131,741 in 2011 to kEUR 179,548, representing a new record in Firstextile's storied history. Furthermore, the company has successfully improved its profitability and increased its EBIT to kEUR 40,056 to achieve an EBIT margin of 22.3 %. Net profit also reported a sharp increase to kEUR 32,532. The management believes that this positive trend can be continued in 2013. Alongside Firstextile's strong net cash flow from operating activities of kEUR 9,547 together with the proceeds from IPO and short-term loans and a high equity ratio of 67.1 % place the company into a very good position to successfully expand its capacities during 2013. Cash and cash equivalents amounted to kEUR 49,509 at the end of 2012.

REMUNERATION REPORT

COMPENSATION OF SUPERVISORY BOARD MEMBERS

In accordance with German Stock Corporation Act, the Supervisory Board members do not have service agreements with the company. As the members of the company's Supervisory Board are the first members of the Supervisory Board within the meaning of section 30 of the German Stock Corporation Act (AktG), according to Section 113 (2) Clause 1 of the German Stock Corporation Act their remuneration can only be determined by the Annual General Meeting that approves their actions, which will be held on 20 June 2013. The members of the Management Board and Supervisory Board intend to propose to that General Shareholders' Meeting that it adopt the following remuneration for the Supervisory Board members:

The members of the supervisory board Faxia Wan, Linxian Wu and Guoyuan Yang being in office from 21 July 2011 until the passing of the general meeting dated 18 October 2012 shall not receive any remuneration for their services.

The members of the supervisory board Philipp Ellick (chairman), Prof. Edgar Rosenberger (vice chairman) and Chao Yu being in office since 18 October 2012 shall receive a pro rata remuneration in accordance with the duration being in office in 2012.

Function	Fixed remuneration for the term of office between 18 October 2012 until 20 June 2013 (in EUR)	Variable remuneration
Chairman of the Supervisory Board	80,000	n/a
Deputy Chairman of the Supervisory Board	50,000	n/a
Ordinary member of the Supervisory Board	13,500	n/a

Every member of the Supervisory Board is entitled to reimbursement for expenses incurred for the purpose of his office. The Supervisory Board members are not entitled to any special benefits upon termination of their office.

COMPENSATION OF MANAGEMENT BOARD MEMBERS IN 2012

In 2012, Mr. Guofeng Yang received a total compensation of EUR 74,040 (RMB 600,000) for his services as CEO.

In 2012, Mr. Hao Cao received a total compensation of EUR 59,232 (RMB 480,000) for his services as CFO.

In 2012, Mr. Yingjun Fu received a total compensation of EUR 59,232 (RMB 480,000) for his services as COO.

In 2012, Ms. Xinxin Wang received a total compensation of EUR 59,232 (RMB 480,000) for her services as Director and mebmer of the Management Board.

All members of the Management Board received the same compensation for their services in 2011. Ms. Xinxin Wang joined the Group in July 2011 and therefore received a pro rata payment in 2011.

All members of the Management Board received a fixed compensation and no performance-based compensation for their services.

COMPLIANCE STATEMENT

Additional details about corporate governance at Firstextile AG are included in the corporate governance statement for fiscal year 2012 as per Section 289a of the German Commercial Code (HGB), available on the company's website at www.firstextile.de in the Investor Relations section under "Corporate Governance".

INFORMATION PURSUANT TO SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB)

The following section presents the information under takeover law required within the meaning of Section 315 (4) of the German Commercial Code (HGB).

Subscribed capital

Following the IPO on 12 November 2012, the subscribed capital consisted of 11,800,000 ordinary no-par value registered shares, each with a notional interest of EUR 1.00 in the company's share capital.

Restrictions regarding voting rights and the right to transfer shares

Each single share grants one voting right under the articles of association of Firstextile AG. In general, Firstextile AG's shareholders are restricted neither by German legislation nor the company's articles of association in their decision to buy or sell shares, except for the transfer restrictions on the transferability of the company's shares under the lock-up agreements described below.

Firstextile AG's shareholders before the IPO, i.e., Yang GmbH & Co. KG, Mega Success Asia Pacific Investment Ltd. and Plumbohm International Ltd. have agreed with the Underwriters (Macquarie Capital (Europe) Limited and M.M. Warburg & CO KGaA) that, for the first 12 months after the listing of the shares of the company on the Frankfurt Stock Exchange, they will not:

- offer, pledge, allot, sell, contract or agree to sell or to con-tribute or to otherwise transfer, enter into share pooling arrangements relating to the shares or otherwise act in concert with another shareholder of the company, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of the company or any securities convertible into or exercisable or exchangeable for shares of the company;

- enter into any swap or other arrangement that transfers to another party, in whole or in part, the economic risk of ownership of shares of the company, whether any such transaction described in the clauses above is to be settled by delivery of shares of the company or such other securities, in cash or otherwise;
- make any demand for or exercise any right with respect to the registration under U.S. securities laws of any shares of the company or any security convertible into or exercisable or exchangeable for shares of the company; or
- propose any increase in the share capital of the company, vote in favour of such a proposed increase or otherwise, support any capital increase proposed with respect to the company without the written consent of the Sole Global Coordinator.

These restrictions do not apply to the sale of the 1,800,000 new ordinary bear shares issued during the IPO in 2012, and to shares purchased in the open market.

Direct or indirect holdings in the company exceeding 10% of the voting rights

At the time of publication of the group's Annual report, only the Chairman of the Management Board of Firstextile AG, Mr. Guofeng Yang, People's Republic of China, with a share of 76.35% indirect held interests in the company that exceed 10% of Firstextile AG's voting rights. These shares are held through TECHNO INTERNATIONAL LIMITED, Yang Verwaltungs GmbH and Yang GmbH & Co. KG. TECHNO INTERNATIONAL LIMITED, a company wholly owned by Mr. Guofeng Yang, held 100% of the shares of Yang Verwaltungs GmbH which itself held 100% of the shares of Yang GmbH & Co. KG.

Shares with exclusive rights

There are no shares with special rights which grant the holders controlling powers.

Exercise of voting rights of employees

Employees, who are shareholders of the company, exercise their voting rights on their own discretion or by an authorized person. There is no specifically designed control of voting rights for employees holding an interest in the share capital.

Appointment and dismissal of Management Board members

Management Board members are generally nominated and recalled from office pursuant to Sections 84 et seq. of the German Stock Corporation Act (AktG). The Supervisory Board determines the size of the Management Board which, under the company's articles of association, must have at least two members. The Supervisory Board may appoint one Management Board member as chairman or spokesman and another member as deputy chairman or spokesman. Furthermore, the Supervisory Board may appoint further members of the Management Board.

Members of the Management Board are appointed by the Supervisory Board for a maximum term of five years. Reappointment or extension of the term, for a maximum of five years in each case, is permissible upon a resolution of the Supervisory Board that may be adopted not earlier than one year prior to the expiration of the current term of office. The Supervisory Board may revoke the appointment of a Management Board member prior to the expiration of its term for good cause, such as for gross breach of fiduciary duties or if the General Shareholders' Meeting adopts a no-confidence resolution in relation to the Management Board member in question.

Amendments of the company's articles of association

Implementing amendments to the articles of association is governed by Sections 133 et seq. and 179 et seq. of the German Stock Corporation Act (AktG). In general, changes require a resolution passed by the Annual General Meeting of Shareholders. However, pursuant to Section 18.3 of the company's articles of association, the Supervisory Board is authorized to make amendments only concerning their wording.

Authority of the Management Board to issue new shares

As at the date of this report the authorised capital of the company amounted to EUR 5,000,000.00 ("Authorised Capital 2012"). Based on the Authorised Capital 2012, the company's Management Board is authorised to increase the share capital of the company with the consent of the Supervisory Board by up to EUR 5,000,000.00 by issue of up to 5,000,000 shares in return for cash or non-cash capital contributions until 20 July 2016.

In case of a capital increase based on the Authorised Capital 2012, the company's Management Board is further authorised, in each case with the consent of the company's Supervisory Board, to provide that the pre-emptive rights of the shareholders are excluded. An exclusion of the pre-emptive rights, however, is only admitted in the following cases:

- if new shares are issued to acquire enterprises, shares in enterprises or parts of an enterprise;
- for fractional amounts;
- for granting shares to employees and members of the management of the company or of a connected enterprise in connection with employees' participation programs;
- if the shares are issued in consideration of contributions in cash at an issue price which is not substantially below the stock exchange price and the exclusion of the pre-emptive rights is only applied to new shares that represent not more than 10 % of the share capital; for the calculation of the 10 % limitation any other exclusion of the pre-emptive rights according to Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG) must be taken into account;
- to list shares of the company or certificates representing shares of the company on domestic or foreign stock exchanges where they are not yet listed;
- to the extent necessary to grant holders of convertible bonds, convertible profit participation rights (Genussrechte), or stock options pre-emptive rights that they would have in case they became shareholders.

A capital increase where the pre-emptive rights are excluded may not exceed 10 % of the share capital existing at the time when this authorisation is made use of, if such capital increase serves for an employees' participation programme.

The company's Management Board decides with the consent of the Supervisory Board on the rights to and the conditions of issuance of new shares to be generated through the Authorised Capital 2012.

Change of control provision

No agreements exist with Firstextile AG which are subject to the condition of a change of control due to a take-over offer.

Agreements on compensation in case of a take-over offer

No agreements exist between the Management Board members or employees and Firstextile AG which provide for compensation in case of a change of control due to a take-over offer.

DEPENDENCE REPORT ISSUED

Yang GmbH & Co KG, Frankfurt, Germany, is the majority shareholder of Firstextile AG. The Management Board has therefore provided the Supervisory Board with a report on relations with affiliated companies, as stipulated in section 312 of the German Stock Corporation Act. The dependence report comes to the following conclusion: "In summary, we can state that Firstextile AG has received adequate payment for every transaction, according to the circumstances known at the time when the transactions were undertaken, and was not put at a disadvantage as a result of the measures."

NON-FINANCIAL PERFORMANCE INDICATORS AND CORPORATE SOCIAL RESPONSIBILITY

For Firstextile, sustainability means acting in a financially, ecologically, and socially responsible way. As a company, accepting responsibility for the environment is, in the company's opinion, one of the main factors of critical foundation for long-term economic success.

EMPLOYEE PROMOTION AND TRAINING PROGRAMMES

Firstextile believes that well-trained and skilled workers are essential to ensure the consistent quality of its products and increase production efficiency. Firstextile has established comprehensive staff training systems for its production workers. Firstextile also conducts regular training courses for its employees in the marketing, sales, and other administrative departments. During the periods under review until the date of this report, Firstextile has made contribution to the following social security funds for its employees: basic pension insurance, unemployment insurance, medical care insurance, work-related injury insurance and maternity care insurance. Besides, the company offers trainee posts to ensure the availability of high qualified employees in future but also to give young people the opportunity to start successfully into their professional life.

ENVIRONMENTAL PROTECTION

Firstextile already meets all mandatory environmental protection requirements requested by the Chinese government. Furthermore the management considers an environmental friendly production process as a key factor of the company's social responsibility but also for its future growth. To reduce the environmental impact of the production process, the company focuses in its R&D efforts among others, on the development of enzyme technology, which ensures a more environmental friendly production process. As a result the company has obtained 21 utility model patents including environmental protection which relate to systems allowing for water and power saving during the dyeing process or energy efficiency systems in the after-finishing process.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 12 March 2013, Firstextile AG announced the recruitment of Ms. Wei Chen as Marketing Director beginning from 1 March 2013. Wei Chen has more than ten years branding and marketing experience in the high-end fashion and lifestyle product industry. She worked in successive similar positions for various leading European luxury brands, including Louis Vuitton and Hermès. In her new role as Marketing Director, Wei Chen's responsibilities include the development and implementation of branding and marketing strategies across all of the company's various business lines to support the company's further growth. Wei Chen reports directly to Fred Yang, founder and CEO of Firstextile.

In addition to this, no further significant events occurred between 31 December 2012 and the date of this report, which had material impact on the group's earnings, assets or financial situation.

REPORT ON OPPORTUNITIES AND RISKS

Firstextile AG is exposed to a variety of different risks which can result of the company's own activities as well as from external factors. For this reason, the Management Board considers a responsible approach to these risks to be the basic precondition for long-term business success. Because of this, the company has made the risk management a central part of its corporate governance activities, with the goal to ensure the continued existence of the company.

INTERNAL RISK MANAGEMENT AND MONITORING SYSTEM

Due to the rapid growth the Group has experienced in recent years, it is aware of the need of a comprehensive risk management system and has consequently established such a system. The seven-step plan that has been implemented ensures a functional Enterprise Risk Management ("ERM") system. The goal of Firstextile AG's ERM is to ensure that possible risks are identified at an early juncture, and that appropriate measures to avert any damage which threatens to occur are initiated:

Step 1: The company established ERM responsibility within the company's management by nominating a "Chief Risk Officer". This can be the CFO or COO. An assistant who keeps records is also appointed.

Step 2: In order to have a fast preliminary result, the company established a Risk Inventory and Assessment ("RIA") applying a "top-down" approach (management and adviser). This RIA is redefined subsequently applying a "bottom-up" analysis by collecting each department head's view on risk, which is aggregated at enterprise level. The completeness of the risk inventory must be investigated and confirmed.

Step 3: For each risk identified, the company defined the person responsible ("Risk Owner"), the company's policy towards this risk, and the measures taken to either prevent or mitigate it, as well as the measures to be taken if the risk occurs.

Step 4: The company collects all such information in a database or book ("Risk Manual").

Step 5: The company defined a regular risk reporting schedule and format for this reporting as well as the person responsible for delivering such reporting. The risk reporting is tracked in the minutes of the management meetings.

Step 6: The management holds semi-annual ERM meetings, one high-level meeting per year and one operational-level meeting per year to improve ERM. These meetings serve as the basis for the annual risk reporting as mandatory part of the IFRS annual reporting.

Step 7: RIA is refined applying a "bottom-up" approach (see Step 2). This should be performed at the annual ERM meeting at operational level (see Step 6), with each department head reporting their risk inquiry action, risk assessment and risk control measures to the Management Board (Vorstand).

Risks have been grouped into different general topical areas in order to identify the broadest possible range of risks. As such, the company differentiates between the following risk categories:

- Strategic Risks
- Operational Risks
- Legal Risks
- Financial Risks

Internal Risk Management and Monitoring System in respect of the financial reporting process pursuant to Section 315 (2) of the German Commercial Code (HGB)

Firstextile has implemented accounting, control, and planning tools as an integral part of the company's overall risk management system. The goal of the internal risk management and monitoring system as it pertains to the financial reporting process is to identify and assess risks that could conflict with the consolidated financial statements' conformity with applicable regulations. Firstextile has implemented the following structures and processes with regard to the financial reporting process:

The CFO has overall responsibility for the company's internal monitoring and risk management system as it pertains to the financial reporting process. All of the companies included in the consolidated financial reports are integrated through a fixed management and reporting organizational structure. The individual financial reports of Firstextile AG and its subsidiaries are prepared pursuant to the laws applicable in their respective countries and are incorporated into one consolidated financial report in accordance with IFRS as adopted by the EU.

Firstextile currently has Group accounting guidelines in place which aim to ensure that accounting and valuation processes are performed uniformly for individual subsidiaries on the basis of the provisions applicable to the parent company. Changes are made to these guidelines at regular intervals to adapt them to current external and internal developments.

The company has deployed the business management software Kingdee K/3 since the 2007 financial year, thereby implementing accounting policy unification, financial centralised accounting, financial report integration, capital risk monitoring, and financial data integration. For the purposes of analysing data consistency, this tool already carries out automatic plausibility checks when entering data. The company's finance department performs consolidation measures and monitors adherence to schedule and process-related requirements. In addition, the individual financial statements submitted by Firstextile's subsidiaries are analysed, and if necessary, corrected at Group level.

Further key elements of the company's risk control strategy in the accounting process include separation of responsibility for entering, verifying, and approving accounting information. Responsibilities in all departments involved are clearly defined. Furthermore, relevant accounting processes (for example, reviews of significant contracts, related party transactions, non-recurring journal entries, etc) are regularly reviewed by the independent internal auditing function. In case of special questions, the company also involves external auditing, accounting and tax experts. An external auditor also evaluates the company's financial statements within the scope of their auditing process.

Further monitoring activities include analysing and conducting plausibility checks on transactions as well as continuously monitoring project calculations. The aforementioned structures, processes, and characteristics of the internal monitoring and risk management system ensure that Firstextile AG's financial reporting processes are performed in accordance with the applicable legal provisions, generally accepted accounting principles, international accounting standards, and the company's internal guidelines.

The Managing Board views the implemented system as adequate and fully functional. The system is regularly evaluated with regard to potential upgrades and optimizations which are then implemented by the Managing Board.

COMPANY RISK

The company has identified several key risk factors whose probability of occurrence is difficult to predict, but which nonetheless might have a negative impact on the company's trading, financial and earnings positions. The management has adopted numerous sustainable measures to avoid or minimise such risks.

STRATEGIC RISK

Highly competitive environment on the Chinese textile market

Firstextile operates in a highly competitive environment, which could, if the company proved unable to remain competitive or if competition were to increase further, lead to a loss of market share and, consequently, revenues. Competition in the Chinese market for fabric, men's shirts and uniforms is intense and might continue to increase and intensify in the future.

In its core business the fabric segment, Firstextile mainly focuses on the domestic high-end yarn-dyed fabric market and on the uniform fabric market in China. In this business segment, Firstextile mainly competes on the basis of product quality and price, reputation in the market place, and, in particular with regards to uniform fabric, on product functionality. In the management's opinion, price competition in the fabric market is of less importance to Firstextile since the company focuses on the high-end market segment where the main customers' priority lies more on product quality rather than price. This distinguishes the high-end market significantly from the more price-competitive low and mid-end market segment. However, in order to remain competitive Firstextile needs to constantly improve its productivity and cost-efficiency while maintaining or improving its product quality. For this reason, the company dedicates itself intensively to product and production-related research and development ("R&D"). Since 2008, Firstextile cooperates closely and on an exclusive basis with researchers from the reputed Jiangnan University who work part-time in Firstextile's laboratories. Firstextile owns 21 patents relating to process improvement and innovation, in other words, with regards to product functionality. In addition, Firstextile has in-house design capability and offers more than 6,800 different fabric patterns to its customers. In order to maintain and even extend this competitive advantage the company intends to keep its annual R&D expenses at an amount between 1.5% and 2% of revenue.

In the uniform segment, the customer focus lies on product quality, functionality and price as well as the reputation and reliability of a uniform manufacturer. In this segment, Firstextile competes with various Chinese competitors including large Chinese uniform manufacturers, whose focus is on uniform suits, with uniform shirts being a less important segment to them in terms of revenue, specialised uniform shirt manufacturers and shirt manufacturers who sell uniform shirts as an additional business activity. If any of the competitors that are active in the uniform shirt market as a minor business activity were to place a greater focus on business with uniform shirts, this could lead to an increase in competition and a decrease in Firstextile's revenues and profitability. Nevertheless, the company's management is very confident of its ability to continue to perform well in 2013, as the existing 19 national level uniform customers will continue to place orders according to their own requirements. From the company's previous experience, Firstextile is always highly ranked among suppliers by the uniform clients. For this reason, and with the increase of production capacity initiated in 2013, the management is confident that it will receive more orders in the future.

In the shirt segment, Firstextile's competitors in the PRC market for premium shirts are mainly international and, to a lesser extent, domestic brands. Firstextile's international competitors distribute their premium shirts under brands that are internationally recognised and longer-standing than the "Varpum" (范佰) brand and the "Firstextile" brand used by Firstextile. These competitors have a larger customer base and greater financial resources which allow them to compete aggressively in the PRC market, including by making significant investments in marketing and brand building. In addition, new PRC competitors, in particular current original equipment manufacturers ("OEM"), could, in a similar way to

Firstextile's strategy in its shirt business, access the market by launching their own brands and capitalise on the fact that very few established PRC brands currently exist in the market for premium shirts. To remain competitive, Firstextile must continue to invest significant resources in brand building and maintenance. In 2012, Firstextile further expanded its retail sales channel with distributor-led and own outlets by opening eight new retail stores in tier 1, 2 and 3 cities. Furthermore, the company hired Ms. Wei Chen as its new Marketing Director. She is a proven marketing and branding expert with long-term experience in the high-end fashion and lifestyle product industry. Prior to join Firstextile, Wei Chen's career highlights include four years as Regional Retail Marketing Manager for Louis Vuitton in Hong Kong, where she managed retail marketing activities in 14 Asian countries, two years as International Business Manager for Hermès in Paris and two years as COO of SHANG XIA, a Chinese Luxury brand established by Hermès, where she created the brand together with the CEO. Overall, Firstextile's management considers the company to be very well positioned within this competitive market environment for the future.

Entry of new competitors

New competitors could enter the market at any time, outperforming Firstextile and exerting pressure on prices and margins. In the management's opinion, however, market barriers to entry in the company's core business, high-end yarn-dyed fabric, are very high, in particular. In order to consistently produce high quality fabric and to do so efficiently, significant capital investments exist in property, plant and equipment – particularly in capital-intensive dyeing and after-finishing capabilities. Equally, constant innovation through development of proprietary patterns and production process development for such patterns means that R&D expenses are also high. This has led to a less competitive environment. Firstextile believes that it is well prepared to face this challenge of the future due to its long-term business experience and its ongoing R&D efforts.

R&D risk

R&D could fail to deliver the expected results, innovations could be stolen or copied (see below) or competitors could surpass the company in its R&D efforts. Competitors could challenge existing IP, and the utilisation of such IP could be restricted or increased in cost (settlement costs, royalties). The company's management believes that due to its strong R&D efforts Firstextile is very well positioned to maintain one of the most innovative companies within the market. Furthermore, Firstextile has entered into an agreement with Jiangnan University co-owning all of the research and development achievements of the Research Centre. Besides this, Firstextile has exclusive rights to apply the research results of the Research Centre in its own business operations.

Risk of expansion strategy failure

Technical failures, strikes, natural disasters, supply shortages, labour shortages, regulatory rulings or other factors affecting Firstextile or its suppliers could prevent Firstextile from successfully expanding its production capacity within the expected timeframe, within budgeted costs, or at all. The intended increase in production capacity would also require larger purchases of raw materials and the hiring of additional employees, any of which could prove to be uneconomical or impossible. The management does not currently regard these risks as significant since the company is on schedule with its capacity expansion plans.

Failure to establish retail distribution network

Should the company fail in its strategy of establishing a retail distribution network for its shirts segment, and in building and promoting its own shirt brands in the PRC, this could significantly adversely affect its business, financial position and results of operations. Nonetheless, the management believes that with the recruitment of Ms. Wei Chen as Marketing Director beginning from 1 March 2013 represents a valuable contribution to the company's continuing growth in its shirts segment.

OPERATIONAL RISKS

Supply risk

Supply risks may emerge in the form of availability risks and price risks, the latter being the most common form. Increases in supply prices could significantly lower the company's margins (such as cotton price increases). Physical supply disruptions such as energy supply disruption could halt production (temporarily). Firstextile has access to a broader group of suppliers and obtains quotes across the market to manage such risk.

Outsourcing risk

Availability of outsourcing capacity, price or quality of products may be limited, thereby restricting the company's output capacity. The management believes that limited outsourcing capacities will be less relevant to the company since it plans to expand its own capacities during 2013. Moreover, the company mitigates outsourcing risk by diversifying its business relations to a broad range of business partners. Also the management adopted quality control measures, including onsite inspections on the factory premises of its partners it engages.

Environmental risk

During its dyeing and after-finishing processes, the company utilises chemicals which are potentially harmful to the environment. Failure of equipment or processes could cause environmental damage, causing increased cost, liability payments and/or fines. Potentially harmful residues in the company's products could entail product liability risk. Firstextile is aware that for future growth it must increasingly employ environmentally-compatible manufacturing processes and facilities. To reduce the environmental impact of the production process, the company focuses in its R&D efforts among others, on the development of enzyme technology, which ensures a more environmentally-compatible production process. As a result the company has obtained 21 utility model patents including environmental protection which relate to systems allowing for water and power saving during the dyeing process or energy efficiency systems in the after-finishing process.

Key personnel and staff risk

The company's production process and technological progress is dependent on qualified personnel. Such personnel could be unavailable or its cost could increase. Key executive management personnel could leave the company and join the company's competitors, with a resultant transfer of know-how. To mitigate these risks, Firstextile provides a safe working environment and continues to invest in and train its employees. Firstextile also pays its staff salary above the average in the city of Jiangyin. Furthermore, the company has established a very strong second management line within the company.

Risk of higher raw material prices

Raw material cost, especially cotton yarn, represents the major element of the cost of sale ("COS") of Firstextile. As such, the company is exposed to any material increase in the price and its margins would be adversely impacted. To mitigate this risk the management has implemented a cost plus pricing policy which enables Firstextile to pass on the inflation of raw materials to fabric customers. Furthermore, the company does not retain any redundant inventory on its balance sheet, but instead sources cotton yarn from suppliers only after the fabric order is secured with a certain mark-up ratio from fabric customers. The can be no assurance, however, that Firstextile will always be in a position to apply this pricing model successfully.

LEGAL RISKS

Compliance risk

Non-compliance with legal provisions and regulations could damage the company, such as exclusion from public contracts, fines, restrictions of operating permits, restrictions on non-domestic business or similar. Non-compliance with capital markets laws and regulations could cause sanctions such as fines, liability claims, revocation of admission to list etc. In order to mitigate this risk the management has established a compliance risk management system within the company.

FINANCIAL RISKS

Reporting risk

Incorrect or incomplete reporting could prove misleading to the management's decision-making processes. Database or EDP failure could cause loss of data, or render reporting data incorrect or incomplete. Human data processing errors could have the same impact. In order to mitigate these risks the management implemented numerous measures such as daily data backup, technical maintenance and regular updates, and ongoing employee training programs, as well as controlled and defined responsibility structures.

Risk of higher tax

In 2012, JFT was awarded a "high and new technology enterprise" classification under which it could benefit from a 12.5 % tax rate for a period of third years, which is lower than marginal corporate tax rate of 25 %. Firstextile must apply for a renewal of this tax rate classification. Should this filing fail the company's tax rate will increase to 25 % from 2013 onwards. In Q1 2013 Firstextile has filed to renew these tax privileges as a high-tech company. Since the company continues to invest 1.5 % to 2.0 % of revenues in R&D and the proportion of the business belonging to the "high technology" area (fabric) remains the majority of its business, the management acts on the assumption that the government agencies will have made a final and positive decision about the filing by the end of September 2013.

Liquidity risk

Lack of liquidity could impede the company to fulfil its obligations or to accomplish its strategy. Due to the significant amount of equity the company holds as well as the profitability, the management does not believe Firstextile faces any liquidity risks at the present time.

Interest-rate risk

The company is exposed to changes in market interest rates through short term bank borrowings being renewed at interest rates different to those currently in place. In general, the company's policy is to minimise the interest rate cash flow risk exposures on short term financing. The current exposure to interest rates for the Group's funds deposited with banks is considered by the management to be immaterial.

Exchange-rate risk

Exchange-rate fluctuations could reduce the value of assets or receivables or increase the value of liabilities or payables. However, the operational activities of Firstextile are denominated mainly in RMB and are not influenced by the fluctuations in foreign exchange rates, expect for certain transactions carried out by the German parent company, and the translation of the financial statements from RMB to EUR.

Counterparty risk

Failure by counterparties to render payments could lead to financial losses (in the case of non-payment of due amounts) or production interruptions (in the case of non-delivery of supplies). In order to minimize default risks in operations, the company extends credit to counterparties (customers) based upon careful evaluation of the customer's financial condition and credit history appraised on an ongoing basis.

OPPORTUNITIES FOR FURTHER GROWTH

Firstextile intends to exploit the opportunities offered by the large market in China for uniforms: the total value of the Chinese uniform shirt market based on domestic consumption is estimated by Roland Berger to grow by CAGR of 8 % from RMB 12.2 billion (c. EUR 1.5 billion) in 2012 to RMB 15.4 billion in 2014 (c. EUR 1.9 billion). Due to its strong R&D capability, Firstextile believes that it is well positioned in the uniform market. This product requires a combination of comfortable wearing experience, good quality and reasonable pricing, as well as innovations such as certain fabric functionalities. This belief is underscored by Firstextile having been nominated as a short-listed supplier for a number of government institutions and state-owned enterprises. In the light of this market opportunity and Firstextile's belief that the demand for uniform shirts and suits should be somewhat robust and less impacted by general economic trends and consumer demand in China, Firstextile plans to further expand its market share in the Chinese uniform market in the coming years.

OVERALL STATEMENT ON OPPORTUNITIES AND RISKS

Firstextile's strong growth in the previous year is based on its three strategic business units Fabric, Uniforms and Shirts. The business environment is very positive in all segments. The company enjoys a positive brand and quality image, the capacity expansion plan is on schedule, its capital backing is appropriate, and the Management Board together with its employees forms a highly qualified and high-performing team. As a consequence, the management regards the company as well positioned to address future market trends.

Despite the greatest care, it cannot be entirely excluded that significant risks that have been unidentified to date exert a negative impact on business development. No going-concern risks were identified, either during the 2012 fiscal year, or when this annual report was prepared.

FORECAST REPORT

OUTLOOK

Firstextile reached its guidance for the full year of 2012, originally set for revenues of at least EUR 160 million and a gross profit margin between 32% and 33%. Thanks to the strong performance of the uniform segment in the last quarter of 2012, Firstextile eventually achieved total revenues of EUR 179.5 million and a gross profit margin of 31.4%. Although the actual gross profit margin was slightly below the forecasted 32% gross profit margin, Firstextile successfully exploited the business opportunity offered by the uniform segment to enhance overall gross profit and EBIT in absolute terms.

China's macroeconomic environment will continue to be fairly healthy in 2013, with a target GDP growth rate above 7.5% announced in March. In addition, central government policies aiming to increase urbanization and encourage domestic consumption are likely to benefit the company in the long term. Firstextile expects that the positive development of revenue and profit growth 2012 will continue in the current 2013 financial year. No significant changes to Firstextile's financial or trading position have occurred between 31 December 2012 and the date of this report. For 2013, we will build up a new production facility next to the existing one and bring the annual after-finishing capacity from currently 36 million meters to 72 million meters, weaving capacity from less than 11 million meters to 27 million meters and dyeing capacity from 7,900 tons to 15,800 tons by the end of 2013. Associated capital expenditure in plant and machinery is expected to lie between EUR 35 million and EUR 40 million. Furthermore Firstextile will continue to leverage its status as pre-approved supplier with numerous government institutions and state-owned enterprises, in order for rapid growth in the strategically important uniform segment.

The planned capacity expansion will increase non-current assets. The proportion of non-current assets to current assets will change accordingly. We also expect the proportion of equity to total assets to increase taking the positive business outlook into account.

In its fabric segment, Firstextile expects the newly built-up facility will start to produce fabrics in the last quarter of 2013, which will help to deliver further growth between 10% and 20% year-on-year, resulting in revenue between EUR 124 million and EUR 135 million and a gross margin between 25% and 27% in 2013. With the company's efforts to attain status as pre-approved supplier for government institutions and large state-owned enterprises gradually paying off, the uniform segment is expected to grow between 20% and 30% year-on-year and consequently segment revenues totalling between EUR 56 million and EUR 60 million in the current financial year. The assumed gross margin for the uniform segment lies between 15% and 25%. Also in its third business unit, the shirt segment, Firstextile is retaining its strategy of rolling out retail stores led by its newly joined chief marketing director and foresees growth in revenue and gross profit in 2013. Segmental revenue in 2013 is expected between EUR 24 million and EUR 26 million and a gross margin between 75% and 80%. As a consequence, the company expects total revenues between EUR 204 million and EUR 221 million. The EBIT margin of between 20% and 24% at Group level is expected on a comparable level to 2012.

For the financial year 2014 Firstextile expects an ongoing positive development in all relevant target markets. For this reason, the company identifies good opportunities to continue its growth on a corresponding level in its business units and expects at least 20% growth in total revenue at Group level.

The outlook for 2013 and 2014 takes into account all information known at this time that could have an impact on the Group's business development. However, political and economic uncertainties over which Firstextile has no control could result in actual performance that may deviate significantly from the forecast.

FORWARD-LOOKING STATEMENT

This report contains forward-looking statements. These statements are based on the current assumptions and forecasts of Firstextile AG's Managing Board. Such statements are subject to both risks and uncertainties. These and other factors can cause the company's actual results, financial situation, growth, and performance to significantly deviate from the opinions stated in this report. The company assumes no obligation to update these forward-looking statements or adapt them to future events or developments.

Frankfurt am Main, April 22, 2013

The Management Board

UNIFORMS

Launched in early 2011, the segment for uniform shirts and suits is the fastest growing business unit in terms of revenues.

Since products in the uniform segment are distributed to government institutions and state-owned enterprises, the demand is rather robust and less impacted by the general economic environment and consumer demand in China. Currently we are nominated as a short-listed supplier for 19 government institutions and state – owned enterprises.

This is an excellent basis for sustainable growth in future.

Excellent launch of our new business segment:

REVENUE GROWTH of 160.8 %

to EUR 46.7 mn.

Significant INCREASE of 71.7 %

in gross profit in the Uniform segment.

Being nominated as a

SHORT-LISTED SUPPLIER FOR 19

government institutions and state-owned enterprises is a proof of our operational strength.

CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2012

ASSETS kEUR	Note[1]	31.12.2012	31.12.2011
Non-current assets			
Property, plant and equipment	6	28,044	29,761
Land use rights	7	3,767	3,882
Deferred tax assets	8	96	99
Total non-current assets		**31,907**	**33,742**
Current assets			
Inventories	9	13,458	7,240
Trade and other receivables	10	47,463	32,237
Cash and cash equivalents	11	49,509	25,659
Total current assets		**110,430**	**65,136**
TOTAL ASSETS		**142,337**	**98,878**

EQUITY AND LIABILITIES kEUR	Note[1]	31.12.2012	31.12.2011
EQUITY			
Share capital	12	11,800	10,000
Reserves	13	83,722	38,687
TOTAL EQUITY		**95,522**	**48,687**
LIABILITIES			
Current liabilities			
Borrowings	14	29,427	25,991
Trade and other payables	15	13,972	20,745
Advances from a shareholder	16	301	1,113
Current tax liabilities	17	3,115	2,342
Total current liabilities		**46,815**	**50,191**
TOTAL LIABILITIES		**46,815**	**50,191**
TOTAL EQUITY AND LIABILITIES		**142,337**	**98,878**

[1] The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2012

kEUR	Note[1]	**1.1.2012 – 31.12.2012**	1.1.2011 – 31.12.2011
Revenue	18	179,548	131,741
Cost of sales	19	-123,117	-90,995
Gross profit		56,431	40,746
Other income	20	297	287
Distribution and selling expenses	21	-5,693	-5,243
Administrative and general expenses	22	-8,122	-4,386
Research and development expenses	23	-2,959	-2,238
Net finance costs	24	-1,770	-1,291
Profit before tax		38,184	27,875
Tax expense	25	-5,652	-3,935
Net profit		**32,532**	**23,940**
Other comprehensive income			
Exchange differences on translating foreign operations		-1,250	4,729
Total comprehensive income		**31,282**	**28,669**
Profit for the year attributable to owner of the parent		32,532	23,940
Total comprehensive income attributable to owner of the parent		31,282	28,669
Basic and diluted earnings per share (EUR)	26	3.17	2.39

The comparability is affected by movements in the relative value of the functional currency (RMB) compared to the presentation currency (EUR).

[1] The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2012

			Reserves				
kEUR	Note[1]	Share capital	Capital reserve	Consolidation reserve	Exchange translation reserve	Retained earnings	Total equity
31 December 2010		**-**	**-**	**8,815**	**1,890**	**1,088**	**11,793**
Capital contributed from conversion of the convertible bonds	12/13	-	-	8,225	-	-	8,225
Share capital injected by contribution of shares	12/13	10,000	-	-10,000	-	-	-
Total comprehensive income	12/13	-	-	-	4,729	23,940	28,669
Transfer to statutory surplus reserve	12/13	-	-	2,473	-	-2,473	-
31 December 2011		**10,000**	**-**	**9,513**	**6,619**	**22,555**	**48,687**
Gross proceeds from initial public offering ("IPO")	12/13	1,800	16,200	-	-	-	18,000
IPO costs charged to offset gross proceeds from IPO	12/13	-	-2,447	-	-	-	-2,447
Withdrawal of capital reserve to retained earnings	12/13	-	-5,624	-	-	5,624	-
Total comprehensive income	12/13	-	-	-	-1,250	32,532	31,282
Transfer to statutory surplus reserve	12/13	-	-	3,546	-	-3,546	-
31 December 2012		**11,800**	**8,129**	**13,059**	**5,369**	**57,165**	**95,522**

[1] The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2012

kEUR	Note[1]	1.1.2012 –31.12.2012	1.1.2011 –31.12.2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		38,184	27,875
Adjustments for:			
Interest expense	24	2,031	1,631
Interest income	24	-159	-113
Net foreign exchange gain arising from convertible bonds			165
Depreciation of property, plant and equipment	6	3,086	2,568
Depreciation of land use rights	7	84	74
Operating cash flows before movements in working capital		**43,226**	**31,870**
(Increase) decrease in inventories		-6,369	28
(Increase) decrease in trade and other receivables		-18,576	-10,527
(Decrease) increase in trade and other payables		-3,888	4,019
Cash generated by operations		**14,393**	**25,390**
Income taxes paid	17	-4,846	-3,300
Net cash flows generated by operating activities		**9,547**	**22,090**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		159	113
Purchase of property, plant and equipment	6	-1,590	-3,442
Government grants received		-	612
Net cash used in investing activities		**-1,431**	**-2,717**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term loans		45,905	36,251
Repayment of short term loans		-42,203	-39,587
(Repayment to) advances from a shareholder		-814	1,009
Gross proceeds from IPO		18,000	-
Costs relating to the issuance of shares		-2,447	-
Payment arising on Group reorganization		-	-8,811
Proceeds from convertible bonds		-	8,819
Interest paid		-2,031	-1,631
Net cash generated from (used in) financing activities		**16,410**	**-3,950**
Net increase in cash and cash equivalents		24,526	15,423
Cash and cash equivalents at the beginning of the financial year		25,659	8,004
Exchange (loss) gain on cash and cash equivalents		-676	2,232
Cash and cash equivalents at the end of the financial year	11	49,509	25,659

Cash and cash equivalents represent cash and bank balances.

[1] The accompanying notes form an integral part of the consolidated financial statements.

NOTES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2012

1. CORPORATE INFORMATION

The consolidated financial statements include the financial statements of the holding company, Firstextile AG (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group").

FIRSTEXTILE AG ("COMPANY")

The Company is the parent company and a German stock corporation (Aktiengesellschaft) operating under German law. The Company was founded by Yang GmbH & Co. KG and Mega Success Asia Pacific Investment Limited ("Mega Success") by means of a notarial deed of formation (Gründungsurkunde; Roll of Deeds No. 252/2011 of the notary Dr. Andreas Bittner) dated 21 July 2011 against contribution of their shares in China Firstextile (Holdings) Limited, Hong Kong, Special Administrative Region of the Peoples' Republic of China ("Hong Kong"), under a share contribution agreement (Einbringungsvertrag). Yang GmbH & Co. KG subscribed for 9,100,000 of the newly issued shares in the Company. Mega Success subscribed for 900,000 of the newly issued shares in the Company. The completion (Durchführung) of the formation became legally effective by registration in the commercial register of the local court of Frankfurt am Main on 23 May 2012.

On 8 November 2012, the Management Board and the Supervisory Board resolved to implement the capital increase for 1,800,000 of the newly issued shares in the Company. Upon registration with the commercial register on 9 November 2012, the number of outstanding shares of the Company was increased to 11,800,000 in total. On 12 November 2012, the Company was successfully listed in the regulated market (Prime Standard) on the Frankfurt Stock Exchange in Germany.

The legal and business name (Firma) of the Company is "Firstextile AG". The legal seat (Satzungssitz) of the Company is in Frankfurt am Main. The Company is registered with the commercial register (Handelsregister) of the local Court (Amtsgericht) in Frankfurt under registration number HRB 93793. The Company has its business address in Frankfurt am Main, Germany. The Company's financial year is the calendar year (that means 1 January through 31 December). The Company has been established for an unlimited period of time.

CHINA FIRSTEXTILE (HOLDINGS) LIMITED ("FIRSTEXTILE HONG KONG"/"HK")

Firstextile Hong Kong is an intermediate holding company and was incorporated and domiciled in Hong Kong on 18 October 2010. The authorised share capital of the Company as at the date of incorporation was HK$10,000 divided into 10,000 shares of HK$1 each, of which one share was initially allotted and issued to Mr. Yang Guo Feng ("Mr. Yang"). On 9 June 2011, Firstextile Hong Kong allotted and issued, credited as fully paid at par, an aggregate of 90 new shares to Mr. Yang. On the same day, at the request of Firstextile Hong Kong, Mega Success converted the convertible bonds of US$12,000,000 in all into 9 new shares in Firstextile Hong Kong (Note 12). The address of its registered office and principal place of business of Firstextile Hong Kong is Suite 3104 to 3106, Central Plaza, 18 Harbour Road, Hong Kong. Firstextile Hong Kong is an investment holding company.

Pursuant to a share contribution agreement dated 27/29 July 2011, Mega Success transferred its 9 shares of HK$1 each in Firstextile Hong Kong in exchange for 900,000 no par value bearer shares in the Company at an issue price of EUR1 each.

Pursuant to the named share contribution agreement dated 27/29 July 2011, Mr. Yang transferred his 91 shares of HK$1 each in Firstextile Hong Kong upon request of Yang GmbH & Co. KG to the Company in order to fulfill Yang GmbH & Co. KG's contribution obligation as a third party. In exchange for this transfer, Yang GmbH & Co. KG received 9,100,000 no par value bearer shares in the Company at an issue price of EUR1 each.

Consequently, Firstextile Hong Kong became the wholly-owned subsidiary of the Company. On 19 November 2012, Firstextile Hong Kong allotted and issued, credited as fully paid at par, an aggregate of 100 new shares to the Company for a consideration of EUR15,000,000.

Firstextile Hong Kong holds all shares of Jiangyin First Textile Co., Ltd., a limited company established under the laws of the Peoples' Republic of China (the "PRC").

JIANGYIN FIRST TEXTILE CO., LTD. ("JFT")

JFT (江阴福斯特纺织有限公司)) was jointly incorporated and domiciled in the PRC on 23 January 2006 between Jiangyin Dongjun Textile Co., Ltd. ("Dongjun") and Mr. Chong Yiu Fai ("Mr. Chong"), both of whom acted as the trustees on behalf of Mr. Yang, since its dates of incorporation. On 18 November 2010, pursuant to a series of equity transfer agreements, Dongjun and Mr. Chong transferred their respective equity interests in JFT to Firstextile Hong Kong for consideration of USD12,000,000 and USD8,000,000, respectively. The latter consideration of USD8,000,000 was waived on the same day for the purpose to contribute its claim to the capital reserves of Firstextile Hong Kong and thus it is included in the consolidation reserves in the consolidated financial statements of the Group. Consequently, JFT has become the wholly-owned subsidiary of Firstextile Hong Kong.

JFT is principally engaged in the designing, manufacturing, and sale of yarn-dyed high-grade multifunctional fabrics, shirts and uniforms. There have been no significant changes in the principal activities during the financial years under review.

The principal place of business of JFT is located at Lingang Economic Development Zone, Shengang Town, Jiangyin City, Jiangsu Province, the PRC.

JFT holds all shares of Jiangsu Fanbai Men's Apparel Co., Ltd., a limited company established under the laws of the PRC.

JIANGSU FANBAI MEN'S APPAREL CO., LTD. ("JFB")

JFB (江苏范佰男装有限公司) was incorporated and domiciled in the PRC on 19 October 2011 by JFT. JFB is principally engaged in the designing, manufacturing, and sale of apparels, knitwear and textile products, as well as the operation of franchise and retail chain. There have been no significant changes in the principal activities during the financial years under review.

The principal place of business of JFB is located at Lingang Economic Development Zone, Shengang Town, Jiangyin City, Jiangsu Province, the PRC.

The consolidated financial statements are presented in thousand of Euro ("kEUR"), unless otherwise stated. The functional currency is Chinese Renminbi ("RMB").

The consolidated financial statements were authorised for issue by the Board of Directors on 22 April 2013.

The English names of certain companies/parties referred to in the consolidated financial statements represent unofficial translations of their registered Chinese names by management and these English names have not been legally adopted by these entities.

All subsidiaries of the Company are consolidated. In summary:

kEUR		Share directly in %	Equity	Results
HK	31 December 2012	100	32,766	196
	31 December 2011	100	18,050	213
JFT	31 December 2012	100	95,290	35,462
	31 December 2011	100	48,655	23,730
JFB	31 December 2012	100	1,221	6
	31 December 2011	100	1,225	-1

2. BASIS OF PREPARATION

The financial year of the Group is between 1 January and 31 December. For reasons of comparison, the Group presents (combined) financial statements for the preceding year, which have been derived as described under Section 3.1 Business combinations involving entities under common control.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively referred to as "IFRS") issued by the International Accounting Standards Board ("IASB"), including the IFRS Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), as adopted by the European Union ("EU IFRSs"), as well as in accordance with supplemental provisions of German Commercial Law under Section 315a, pera. 1 German Commercial Code (HGB). The financial statements have been prepared under the going concern assumption.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the financial years presented, unless otherwise stated.

The consolidated financial statements have been generally prepared under the historical cost convention except as otherwise stated.

The consolidated statement of financial position is structured in current and non-current assets and liabilities in application of IAS 1. Assets and liabilities due within one year are viewed as current. In accordance with IAS 12 deferred tax is classified as non-current assets and liabilities.

The preparation of consolidated financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5 to the consolidated financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates. Thus, the Directors of the Company are responsible for preparing the consolidated financial statements.

The operating subsidiaries in the PRC maintain their accounting records in RMB and prepare their statutory financial statements in accordance with the PRC generally accepted accounting principles. The financial information is based on the statutory records, with adjustments and reclassifications recorded for the purpose of the fair presentation in accordance with EU IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF CONSOLIDATION

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions, balances, income, expenses, profits and losses resulting from inter-group transactions are therefore eliminated in full.

Capital consolidation is based on the purchase method by offsetting acquisition costs against the newly valuated equity of the subsidiaries at the time of acquisition.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for similar transactions and events in similar circumstances.

Individual line items have been summarized in the consolidated statements of comprehensive income and the consolidated statements of financial position to aid clarity of presentation. These items are disclosed and explained separately in the notes.

All items of income and expenses recognised during the period have been presented in a single statement of comprehensive income and the function of sales method has been used in classifying expenses in the consolidated statement of comprehensive income.

The term consolidation applies for the period from 21 July 2011 onwards, when Firstextile AG was founded. Until 21 July 2011 the Group presents combined financial statements.

Dividends to be paid by the operating Chinese subsidiaries have to be approved generally by the PRC government bodies. In addition dividends are only payable if Chinese statutory reserves satisfy the relating legal requirements.

Cash transfer from mainland China generally depends on formal approval procedures by the PRC government bodies.

3.1.1 BUSINESS COMBINATIONS INVOLVING ENTITIES UNDER COMMON CONTROL

The current Group was constituted in 2011 by a series of transactions to set up the group structure. This involved the establishment of the Company as holding company and the acquisition of Firstextile Hong Kong, which in return holds directly or indirectly all the shares in the operating companies in PRC.

During the restructuring transactions, taking place in stages between fiscal year 2010 and 2011, the ultimate controlling party of all entities involved has been Mr. Yang. Therefore, all share transfer agreements, by which the new group structure has been set up involved entities under common control.

Firstextile AG was founded in Frankfurt, Germany, on 21 July 2011 as the ultimate parent company and has been under direct ownership of Mr. Yang from 21 July 2011 onwards.

Firstextile Hong Kong was incorporated and domiciled in Hong Kong on 18 October 2010 and has been under direct ownership of Mr. Yang from 18 October 2010 onwards.

JFT as the jointly incorporated and domiciled operating entity has been incorporated and operated under the control of Mr. Yang.

Under current IFRS standards, these transactions between entities under common control which qualify as a business combination are not subject to IFRS 3; the scope exclusion is expressed as "a combination of entities or businesses under common control". For the purpose of the exemption from IFRS 3, a business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination. The standard notes that an entity can be controlled by an individual, or by a group of individuals acting together under a contractual agreement, and that the individual or group of individuals may not be subject to the financial reporting requirements of IFRSs. Thus, a transaction involving entities controlled by the same individual - including one that results in a new parent entity - would be beyond the scope of IFRS 3, and there is no guidance elsewhere in IFRS which covers the accounting for such transactions.

The Group is regarded as continuing entity resulting from the reorganisation exercise since the management of all the above entities, which took part in the reorganisation exercise were controlled by the same management and under the common controlling party, i. e. Mr. Yang before and immediately after the reorganisation exercise. Consequently, there was a continuation of the control over the entities' financial and operating policy decision and risk and benefits to the ultimate control party that existed prior to the reorganisation exercise. The reorganisation exercise has been accounted for as restructuring transactions under common control.

In the absence of an international standard or interpretation that specifically applies to a transaction, paragraph 10 to 12 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" set out the approach to be followed. This requires, among other things, that where IFRS does not include guidance for a particular issue, the Group's management should select an appropriate accounting policy. Under this circumstance, the predecessor accounting method in a manner similar to the pooling of interest method of accounting has been applied for the accounting of the combination of the shell company with the business of the operating entities, JFT and JFB. The predecessor accounting method combines and presents the financial information of the Group as if the Company, and the entities consolidated have always been part of the Group. Accordingly, the assets and liabilities transferred to the Company have been recognised at historical cost.

For periods prior to the legal formation of the Company, the assets, liabilities, revenue and expenses of the operating companies ("the Predecessor Operations") as shown in their individual financial statements were combined or aggregated and consolidated in preparing the group financial statements. The accompanying combined and consolidated financial statements present the financial information of the Company and its subsidiaries as if the Group had been in existence as a single economic enterprise throughout the years presented and as if the Predecessor Operations were transferred to the Company as of 1 January 2011.

3.2 FOREIGN CURRENCIES

3.2.1 Functional currency

The directors have determined the currency of the primary economic environment in which the Group operates, to be RMB as the functional currency. Sales and major costs arising from the provision of goods and services including major operating expenses are primarily influenced by fluctuations in RMB.

3.2.2 Foreign Currency Transactions

Transactions in foreign currencies are measured in the respective functional currencies of the consolidated entities and are recorded on initial recognition in the functional currencies at exchange rates those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair values are determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the consolidated statements of comprehensive income as profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated statements of financial position and recognised in the consolidated statements of comprehensive income on disposal of the subsidiary.

Equity is translated using historical conversion rates.

3.2.3 Presentation currency

The presentation currency of the Group is EUR, using a German holding company which has been established in 2011. The consolidated financial statements have been translated from the functional currency, RMB to EUR at the following rates:

	Period end rates	Average rates
31 December 2012	RMB 1.00 = EUR 0.1216	RMB 1.00 = EUR 0.1234
31 December 2011	RMB 1.00 = EUR 0.1226	RMB 1.00 = EUR 0.1112

The results assets and financial position are translated into EUR using the following procedures:

Assets and liabilities for each statement of financial position are presented at the closing rate ruling at the reporting date. Income and expenses for consolidated statements of comprehensive income are translated at average exchange rates for the period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity.

On disposal of an operation with functional currency different to presentational currency the cumulative translation differences recognised in equity are classified to profit or loss and recognised as part of the gain or loss on disposal.

3.3 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods are as follows:

Buildings	20 years
Plant and machinery	10 years
Office equipment	5 years
Motor vehicles	5 years

Construction-in-progress represents property, plant and equipment under construction and is stated at cost. Construction-in-progress is not depreciated until such time when the asset is available for use.

At each reporting date, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A impairment is made if the carrying amount exceeds the recoverable amount (see Note 3.5 to the consolidated financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

3.4 LAND USE RIGHTS

Land use rights represent upfront prepayments to acquire long term interests in the usage of land. The upfront prepayments are initially recognised on the consolidated statements of financial position as prepaid lease payments. Depreciation is charged using the straight line method over a period of 50 years which is the lease term. The depreciation is included within the administrative and general expenses line in the consolidated statements of comprehensive income.

3.5 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amount of non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not probable to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit (CGU) to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal 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 future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately. An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of scheduled depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

3.6 INVENTORIES

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average formula. The cost of raw materials comprises all costs of purchase plus the cost of bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.7 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

3.7.1 Financial assets

The Group classifies its financial assets into one of the categories: fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, depending on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and either the Group has transferred substantially all risks and rewards of ownership or has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset. The derecognition takes place even when the Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement.

As at the reporting dates the company only holds loans and receivables which are recorded at amortized cost.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant range of changes in value.

Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e. g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less any impairment.

Impairment are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statements of comprehensive income.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statements of financial position.

3.7.2 Financial liabilities

The Group classifies its financial liabilities into one of two categories: fair value through profit or loss and other financial liabilities, depending on the purpose for which the liability was acquired.

All financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statements of comprehensive income.

As at the reporting dates, the Group's financial liabilities comprise trade and other payables and borrowings.

Trade payables and other short term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statements over the periods of the borrowings using the effective interest method.

3.7.3 Equity

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. Equity evidences a residual interest in the assets of the Group after deducting all of its liabilities.

3.8 PROVISIONS

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

3.9 EMPLOYEE BENEFITS

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and nonmonetary benefits are recognised as an expense in the year when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

3.10 TAXATION

(a) Income taxes

Income taxes include all domestic taxes on taxable profit.

Taxes in the consolidated statements of comprehensive income comprise current tax and deferred tax.

(i) Current tax
Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or loss for a period.

Current tax for the current and prior periods is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the reporting date.

(ii) Deferred tax
Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the consolidated statements of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient taxable profits will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profits will be available, such reductions will be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax will be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax are not discounted.

(b) Other taxes

The Group's sale of goods in the PRC are subjected to value-added tax ("VAT") at the applicable tax rate of 17% for the PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT together with other taxes, such as land use right tax, recoverable from, or payable to, the taxation authority is included as part of "trade and other receivables" or "trade and other payables" in the consolidated statements of financial position respectively in line with the requirements in the PRC.

Revenue, expenses and assets and liabilities are recognised net of the amount of VAT except where:

(i) VAT incurred on the purchases of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable; and

(ii) Receivables and payables are stated with the amount of VAT included.

Land use right tax and other taxes are not based on taxable profits and are recognised within the administrative and general expenses in the consolidated statements of comprehensive income.

(c) Tax surcharges

The tax surcharges include educational surcharges ("ES"), local educational surcharge ("LES") and urban construction and maintenance fees ("UCMF"). The applicable ES, LES and UCMF rates vary depending on local practices. For JFT, the ES, LES and the UCMF were imposed 3%, 2% and 5%, respectively, based on the total of VAT payment.

3.11 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

3.12 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Group's activities as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, which coincides with delivery of goods and services and acceptance by customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised as it accrues on a time proportionate basis, by reference to the principal outstanding and at the interest rate applicable, using the effective interest method.

(c) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be complied with. When the grant relates to an expense item, it is recognised in the statement of comprehensive income as a profit over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to the statement of comprehensive income as a profit over the expected useful life of the relevant asset by equal annual instalments.

3.13 RESEARCH AND DEVELOPMENT

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset is recognized if all of the following conditions have been met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;

- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount recognized as an internally generated intangible asset is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria as above. Where no internally-generated asset can be recognized, the development expenditures are charged as expenses in the period in which they are incurred.

The Group is not able to differentiate between research and development and therefore has not recognized an internally-generated intangible asset.

3.14 BORROWING COSTS

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset to its intended use or sales are in process and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

3.15 RELATED PARTIES

For the purpose of these consolidated financial statements, parties are considered to be related to the Group if a consolidated company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or when the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

3.16 OPERATING SEGMENTS

The Group has adopted IFRS 8 Operating Segments to report segment information. The segment information is prepared based on internal information that is regularly reviewed by the chief operating decision maker of the Group.

4. ADOPTION OF NEW IFRS

4.1 NEW IFRSS ADOPTED

(a) The Group has adopted all EU IFRSs that were effective on or before 1 January 2012 for the preparation of the consolidated financial statements for the financial year ended 31 December 2012.

The adoption of IFRS 7 "transfer of financial assets" did not result in changes to the Group's accounting policies and did not materially affect the reported consolidated financial statements as of December 31 2012.

(b) Framework for the Preparation and Presentation of Financial Statements ("Framework")

The Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It does not define standards for any particular measurement or disclosure issue.

4.2 NEW IFRSs AND INTERPRETATIONS NOT ADOPTED

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group does not expect any material impact on the consolidated financial statements from the adoption of these amendments.

IFRS 1 Amendments	Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters[1]
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: Disclosure - Offsetting Financial Assets and Financial Liabilities[1]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 Amendments	Presentation of Items of Other Comprehensive Income[3]
IAS 12 Amendments	Deferred tax: Recovery of Underlying Assets[1]
IAS 19 Amendments	Employee Benefits[1]
IAS 27 (revised)	Separate Financial Statements[2]
IAS 28 (revised)	Investments in Associates and Joint Ventures[2]
IAS 32 Amendments	Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities[2]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013 | [2] Effective for annual periods beginning on or after 1 January 2014 | [3] Effective for annual periods beginning on or after 1 July 2012

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

5.1 CRITICAL JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

There are no critical judgements made by the management in the process of applying the Group's accounting policies that have significant effect on the amount recognised in these consolidated financial statements.

5.2 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Impairment

The management determines the impairment loss if circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amounts of the assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs.

(b) Depreciation and amortisation

The management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation charge for the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes, which are consistent with the common life expectancies applied in the PRC. The depreciation and amortisation charge for future periods are adjusted if there are significant changes from previous estimates.

(c) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy impairment of receivables. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.

(d) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

(e) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate to the current market interest rates available to the Group based on its size and its business risk.

(f) Income tax

The Group's subsidiaries are subject to the PRC income tax and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the Group believes that its subsidiaries' tax return positions are supportable, the Group believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different from the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

6. PROPERTY, PLANT AND EQUIPMENT

COST kEUR	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction-in-progress	Total
At 1 January 2011	**14,881**	**16,792**	**953**	**144**	**13**	**32,783**
Additions	24	943	161	211	2,103	3,442
Transfer from construction-in-progress	2,116	-	-	-	-2,116	-
Translation adjustments	1,428	1,459	93	33	-	3,013
At 31 December 2011 and 1 January 2012	**18,449**	**19,194**	**1,207**	**388**	**-**	**39,238**
Additions	600	910	18	62	-	1,590
Translation adjustments	-159	-171	-10	-4	-	-344
At 31 December 2012	**18,890**	**19,933**	**1,215**	**446**	**-**	**40,484**

ACCUMULATED DEPRECIATION kEUR	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction-in-progress	Total
At 1 January 2011	**2,031**	**3,598**	**424**	**93**	**-**	**6,146**
Depreciation charge for the year	743	1,585	198	42	-	2,568
Translation adjustments	241	455	55	12	-	763
At 31 December 2011 and 1 January 2012	**3,015**	**5,638**	**677**	**147**	**-**	**9,477**
Depreciation charge for the year	902	1,873	231	80	-	3,086
Translation adjustments	-37	-73	-10	-3	-	-123
At 31 December 2012	**3,880**	**7,438**	**898**	**224**	**-**	**12,440**
Carrying amount						
At 31 December 2011	**15,434**	**13,556**	**530**	**241**	**-**	**29,761**
At 31 December 2012	**15,010**	**12,495**	**317**	**222**	**-**	**28,044**

During the financial years, the Group made cash payments to purchase property, plant and equipment which are equal to the additions shown in the presentation of property, plant and equipment movements.

7. LAND USE RIGHTS

kEUR	31.12.2012	31.12.2011
Carrying amount		
At 1 January	3,882	4,289
Deductions	-	-612
Depreciation charge for the years	-84	-74
Translation adjustments	-31	279
At 31 December	**3,767**	**3,882**
Cost	4,125	4,159
Accumulated depreciation	-358	-277
Carrying amount	**3,767**	**3,882**

The land use rights represent prepaid lease payments for land situated in the PRC. The Group are granted land use rights for a period of 50 years.

8. DEFERRED TAX ASSETS

Deferred tax assets arise from the temporary difference between accounting and tax treatment with respect to government's compensation of kEUR612 to the Company's acquisition costs of the land use rights in 2011, which was recorded as the deductions to the carrying amount of the land use rights in the combined statements of financial position (Note 7).

9. INVENTORIES

kEUR	31.12.2012	31.12.2011
At cost		
Raw materials	4,539	2,331
Work in progress	4,324	2,542
Finished goods	4,595	2,367
	13,458	**7,240**

10. TRADE AND OTHER RECEIVABLES

kEUR	31.12.2012	31.12.2011
Trade receivables	46,453	30,216
Other receivables	786	181
Total financial assets other than cash and cash equivalents classified as loans and receivables	47,239	30,397
Deferred IPO costs	-	1,772
Advance payments to suppliers	224	68
Total trade and other receivables	**47,463**	**32,237**

(a) The fair values of financial assets other than cash and cash equivalents classified as loans and receivables approximate their carrying amounts due to the relatively short term maturity of the financial instruments.

(b) Trade receivables are non-interest bearing and the normal trade credit term granted by the Group is sixty (60) days.

(c) Advance payments to suppliers refer to prepayments for future supplies of raw materials.

(d) Information on financial risks of trade and other receivables are disclosed in Note 30 to the financial statements.

(e) The ageing analysis of trade receivables which were neither past due nor impaired is as follows:

kEUR	31.12.2012	31.12.2011
Within 60 days	44,418	26,813
61 - 90 days	713	1,776
91 - 180 days	1,322	1,301
More than 180 days	-	326
	46,453	**30,216**

As at 31 December 2012, trade receivables of kEUR2,035 were past due which aged more than 60 days but not impaired (31 December 2011: kEUR3,403).

(f) The currency exposure profile of receivables are as follows:

kEUR	31.12.2012	31.12.2011
Renminbi	46,452	29,474
Euro	19	-
United States Dollar	992	2,763
	47,463	**32,237**

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

kEUR	31.12.2012	31.12.2011
Cash and bank balances	49,509	25,659

(a) Information on financial risk of cash and cash equivalents are disclosed in Note 30 to the consolidated financial statements.

(b) The currency exposure profile of cash and cash equivalents are as follows:

kEUR	31.12.2012	31.12.2011
Renminbi	47,742	25,325
United States Dollar	71	313
Euro	1,693	12
Hong Kong Dollar	3	9
	49,509	**25,659**

12. SHARE CAPITAL

The Company was founded on 21 July 2011 and completely registered on 23 May 2012 with the authorized share capital of EUR10,000,000 which is divided into 10,000,000 no par value ordinary bearer shares each with a notional value in the share capital of EUR1. On 8 November 2012, the Management Board and the Supervisory Board resolved to implement the capital increase in an amount of EUR1,800,000. Upon registration with the commercial register on 9 November 2012, the share capital of the Company was increased to EUR11,800,000 in total. Reference is also made to Note 1 for further information.

On 15 November 2010, the Firstextile Hong Kong signed a subscription agreement with Mega Success Asia Pacific Investment Limited (the "Investor") for the issuance of convertible bonds of US$12,000,000 (the "Convertible Bonds").

The terms of the Convertible Bonds are described as follows:

Maturity date. 5 years from the date on which the investment amount was fully funded. The investment amount was fully funded from January 2011 to March 2011 in three instalments.

Ranking. The Convertible Bonds will be a senior, unsecured, direct and unconditional obligation of the Firstextile Hong Kong and shall rank pari passu with all other present and future unsecured senior indebtedness of Firstextile Hong Kong.

Interest. No coupon if the Group successfully gets listed within 365 days or on the 365th day accounting from the date of the investment amount was fully funded; otherwise 5% per annum, payable annually.

Conversion. The Convertible Bonds shall be converted into the common shares in the Firstextile Hong Kong at the conversion equity percentage at the request of the Firstextile Hong Kong sufficiently prior to the establishment of the listing vehicle. The Investor has no right to refuse such conversion. The conversion equity percentage for the Convertible Bonds is based on:

(Investment Amount / Post-Money Valuation) x 100%

Post Money Valuation = 6.67 x the expected net profit after tax of Fiscal Year 2010

Both the Firstextile Hong Kong and the Investor agree on the expected net profit after tax of Fiscal Year 2010 of US$20,000,000 for the use of calculation of Post-Money Valuation.

Redemption. The Investor shall have the right to cause Firstextile Hong Kong to redeem the Convertible Bonds (whether all or a portion thereof and from time to time) for its investments in Firstextile Hong Kong starting in the third year from the issue date of the Convertible Bonds (for each tranche), at a redemption price equal to the outstanding principal amount of the Convertible Bonds at a 12% internal rate of return, inclusive of all paid interest and accrued interest unpaid. If the Company failed to redeem the Convertible Bonds within an agreed timeline, the internal rate of return for overdue redemption amount will be 30%. The redemption should be paid in U.S. Dollars under the exchange rate at redemption date.

On 9 June 2011, Firstextile Hong Kong allotted and issued, credited as fully paid at par, an aggregate of 90 new shares to Mr. Yang. On the same day, at the request of Firstextile Hong Kong, the Investor converted the Convertible Bonds in all into 9 new shares in Firstextile Hong Kong.

13. RESERVES

Reserves	Description and purpose
Retained earnings	Cumulative net gains and losses recognised in the consolidated statements of comprehensive income.
Capital reserve	Capital reserve arises from the difference between gross proceeds from the IPO and the nominal value of the shares issued by the Company, IPO costs allocated directly to equity.
Currency translation reserve	Currency translation reserve represents the foreign currency translation difference arising from the translation of the financial statements from RMB to EUR.
Consolidation reserve	The consolidation reserve arises from the non-distributable reserves of JFT, capital contributed from conversion of the convertible bonds, the purchase consideration waived from the reorganisation exercise and the difference between the nominal value of the shares issued by the Company in exchange for the entire shareholding in Firstextile Hong Kong.

14. BORROWINGS

kEUR	Note	31.12.2012	31.12.2011
Current liabilities			
Short term bank loans – unsecured	14 (a)	29,427	25,991

(a) Details of the unsecured short term bank loans with guarantees are as follows:

kEUR	31.12.2012	31.12.2011
Personally guaranteed by:		
Third party corporation	29,427	25,991

(b) Information on financial risks of borrowings is disclosed in Note 30 to the consolidated financial statements.

(c) All borrowings are denominated in RMB.

15. TRADE AND OTHER PAYABLES

kEUR	31.12.2012	31.12.2011
Trade payables	10,813	15,709
Other payables	434	109
Total financial liabilities, excluding loans and borrowings, dividend payables, and advances from a shareholder classified as financial liabilities measured at amortised cost	11,247	15,818
Advance payments from customers	179	1,799
Value-added tax payable	411	620
Accrued expenses	2,135	2,508
Total trade and other payables	**13,972**	**20,745**

(a) The fair values of trade and other payables classified as financial liabilities measured at amortised cost approximate their carrying amounts due to the relatively short term maturity of the financial instruments.

(b) Trade payables are non-interest bearing and the normal trade credit term granted to the Group is sixty (60) days.

(c) Advance payments from customers refer to prepayments for future deliveries of products.

(d) Information on financial risks of trade and other receivables are disclosed in Note 30 to the financial statements.

(e) The currency exposure profile of payables are as follows:

kEUR	31.12.2012	31.12.2011
Renminbi	13,765	20,745
Euro	207	-
	13,972	**20,745**

16. ADVANCES FROM A SHAREHOLDER

kEUR	31.12.2012	31.12.2011
Mr. Yang	301	1,113

The advances from a shareholder represent loan provided by a shareholder, which was unsecured, non-interest bearing and repayable on demand.

17. CURRENT TAX LIABILITIES

kEUR	31.12.2012	31.12.2011
Balance at beginning of the years	2,342	1,427
Current year provision (Note 25)	5,650	4,025
Income tax paid	-4,846	-3,300
Translation adjustments	-31	190
Balance at end of the years	**3,115**	**2,342**

18. REVENUE

Revenue represents sale of products. The following table provides a breakdown of revenues for the financial years:

kEUR	1.1.2012 –31.12.2012	1.1.2011 –31.12.2011
Revenue from sales of:		
Fabrics	113,325	101,247
Uniforms	46,694	17,903
Shirts	19,529	12,591
	179,548	**131,741**

19. COST OF SALES

Cost of sales comprise of raw materials consumed for production, direct labour costs for personnel employed in the production, utility, outsourcing and production overheads incurred for the production, movements in inventories of finished goods and work in progress and tax surcharges.

The following table provides a breakdown of cost of sales for the financial years:

kEUR	1.1.2012 –31.12.2012	1.1.2011 –31.12.2011
Materials consumed	96,545	68,776
Direct labour costs	1,756	1,457
Utility costs	3,449	3,159
Production overheads	6,593	4,681
Cost of contract manufacturing	17,967	11,855
Movements in inventories - finished goods and work in progress	-4,109	347
Tax surcharges	916	720
Cost of sales for the financial years	**123,117**	**90,995**

20. OTHER INCOME

Other income comprise of government rewards and incentives received and others. The following table provides a breakdown of other income for the financial years:

kEUR	1.1.2012 –31.12.2012	1.1.2011 –31.12.2011
Government rewards and incentives	12	84
Pattern grading fee	285	203
Other income for the financial years	**297**	**287**

21. DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses comprise exhibitions and conferences, advertising, staff salaries, entertainment, transportation and other miscellaneous expenses in connection to sales activities. The following table provides a breakdown of distribution and selling expenses for the financial years:

kEUR	1.1.2012 –31.12.2012	1.1.2011 –31.12.2011
Exhibitions and conferences	56	839
Advertising	791	904
Salaries	3,646	2,174
Entertainment	263	421
Transportation	677	463
Others	260	442
Distribution and selling expenses for the financial years	**5,693**	**5,243**

22. ADMINISTRATIVE AND GENERAL EXPENSES

Administrative and general expenses comprise staff costs for management and other employees with administrative functions, depreciation and amortisation charges, utilities costs, travel expenses, entertainment expenses and other miscellaneous office expenses incurred for administrative purposes, fines and donations, other taxes and certain IPO costs (kEUR3,000) allocated to profit and loss.

23. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses comprise staff costs for employees with R&D functions, materials consumed for R&D activities, depreciation charges, testing and examination expenses and other miscellaneous office expenses incurred for R&D purposes.

24. NET FINANCE COSTS

RECOGNISED IN PROFIT OR LOSS

kEUR	1.1.2012 –31.12.2012	1.1.2011 –31.12.2011
Finance income		
Interest income on bank deposits	159	113
Total finance income	**159**	**113**
Finance costs		
Interest expense on short term loans	2,031	1,631
Net foreign exchange gain	-102	-227
Total finance costs	**1,929**	**1,404**
Net finance expense recognised in profit or loss	**1,770**	**1,291**

25. TAX EXPENSE

kEUR	1.1.2012 –31.12.2012	1.1.2011 –31.12.2011
Tax expense based on profit for the financial years		
current tax	5,650	4,025
deferred tax debit (credit)	2	-90
	5,652	**3,935**

Tax expense for respective taxation authorities are calculated at the rates prevailing in these jurisdictions. During the financial years ended 31 December 2012, the applicable enterprise tax rate for the respective consolidated entities is as follows:

(i) Firstextile AG 31.9 %

(ii) Firstextile Hong Kong 16.5 %

(iii) JFT 12.5 %

(iv) JFB 25.0 %

The tax rate for Firstextile AG is calculated taking into account the corporate tax including the solidarity surcharge and the trade tax of its current place of incorporation. JFT as a foreign-invested entity was granted tax exemption for two financial years and tax rebate of 50 % for subsequent three financial years. Details of the tax incentive periods are as follows:

	Tax exemption years	Tax rebate years
Applicable enterprise tax rates	**(0 %)**	**(12.5 %)**
JFT	2008–2009	2010–2012

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group are as follows:

kEUR	**1.1.2012 –31.12.2012**	1.1.2011 –31.12.2011
Tax at the domestic tax rates applicable to profits in the countries concerned	9,331	6,969
Tax effects in respect of:		
Non-allowable expenses	1,024	981
Unused tax losses not recognised as deferred tax assets	992	-
Tax incentives	-5,695	-4,015
Income tax expenses recognized in profit or loss	**5,652**	**3,935**

26. EARNINGS PER SHARE

Basic earnings per share for the fiscal year is calculated by dividing the profit for the financial year attributable to equity holders of the Company by the time-weighted average number of ordinary shares outstanding during the financial year.

kEUR	**1.1.2012 –31.12.2012**	1.1.2011 –31.12.2011
Profit for the financial year attributable to equity holders (kEUR)	32,532	23,940
Weighted average number of ordinary shares outstanding (kEUR)	10,256	10,000
Basic earnings per share (EUR)	**3.17**	**2.39**

Diluted earnings per share for the fiscal year is calculated by dividing the profit for the financial year attributable to equity holders of the Company by the time-weighted average number of ordinary shares outstanding during the financial year, adjusted for the effects of dilutive potential ordinary shares. Diluted earnings per share for the fiscal year is equal to basic earnings per share for the fiscal year as the Company has no dilutive potential ordinary shares as at the end of the reporting period.

27. EMPLOYEE BENEFITS

kEUR	1.1.2012 –31.12.2012	1.1.2011 –31.12.2011
Wages and salaries	4,342	3,133
Social security contributions	621	484
	4,963	**3,617**

Included in the employee benefits of the Group are Director's remuneration as follows:

kEUR	1.1.2012 –31.12.2012	1.1.2011 –31.12.2011
Salaries and allowances	252	67

The analysis of the employee numbers of the Group as at the reporting dates are as follows:

	31.12.2012	31.12.2011
Management and administration	81	50
Sales, marketing and procurement	123	133
Research and development	39	42
Production and quality assurance	523	524
	766	**749**

Retirement Benefit Plans

The eligible employees of the Group - who are PRC citizens - are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a 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. The cost of retirement benefit contributions charged to the consolidated statements of comprehensive income in the years 2012 and 2011 amounted to kEUR395 and kEUR296 respectively.

28. OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer/Director of the Group that makes strategic decisions.

In identifying the operating segments, the Chief Executive Officer generally follows the Group's product categories. The segments also represent the operating segments under IFRS 8. The Group has identified three operating segments, fabrics, uniforms and shirts. The fabric business comprises the production and sales of fabrics of different colours, patterns and qualities. The uniform business is the production and sales of uniforms for government institutions and state-owned enterprises. The shirt business comprises the fabrication and sale of shirts.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

Management currently identifies the Group's three product categories as operating segments. These operating segments are monitored and strategic decisions are made on the basis of segmental gross margins. Segment gross profit is defined as extend sales and intersegment sales reduced by cost of sales.

kEUR	Fabrics	Uniforms	Shirts	Segment Total	Recon-ciliation	Group Total
Year ended 31 December 2012						
External revenue	113,325	46,694	19,529	179,548	-	179,548
Intersegment sales	8,341	-	-	8,341	-8,341	-
Cost of sales	-90,334	-36,963	-4,161	-131,458	8,341	-123,117
Gross profit	**31,332**	**9,731**	**15,368**	**56,431**	**-**	**56,431**
Reportable segment assets	64,878	18,053	5,248	88,179	-	88,179
Land use rights						3,767
Deferred tax assets						96
Other receivables						786
Cash and bank balances						49,509
Total group assets						**142,337**

kEUR	Fabrics	Uniforms	Shirts	Segment Total	Recon-ciliation	Group Total
Year ended 31 December 2011						
External revenue	101,247	17,903	12,591	131,741	-	131,741
Intersegment sales	3,889	-	-	3,889	-3,889	-
Cost of sales	-80,581	-12,234	-2,069	-94,884	3,889	-90,995
Gross profit	**24,555**	**5,669**	**10,522**	**40,746**	**-**	**40,746**
Reportable segment assets	60,977	4,050	2,258	67,285	-	67,285
Land use rights						3,882
Deferred tax assets						99
Other receivables and deferred IPO costs						1,953
Cash and bank balances						25,659
Total group assets						**98,878**

The Group's revenues from external customers are divided into the following geographical areas:

kEUR	1.1.2012 –31.12.2012	1.1.2011 –31.12.2011
Geographical analysis of revenue		
Domestic	174,704	121,335
Overseas (export directly)	4,844	10,406
	179,548	**131,741**

Revenues from external customers in the Group's economic domicile, the PRC, have been identified on the basis of the internal reporting system, which is also used for VAT purposes. "Domestic" refers to sales to customers located in the PRC. "Overseas" (export directly) refers to sales to customers located outside the PRC.

Non-current assets, other than financial instruments, of the Group are all situated in the PRC.

Figures presented for the Group's reportable segment are equal to the Group's financial figures as presented in the consolidated financial statements. Hence, no reconciliation is being prepared.

29. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other parties.

The relationship and identity between the Company and its related parties are as follows:

Identities of related parties	Relationship with the Group
Mr. Yang	Director and ultimate controlling party
Mrs. Zhang Xia	Wife of Mr. Yang
Jiangyin Dongjun Textile Co., Ltd.	Former shareholder of JFT
Mr. Chong	Former shareholder of JFT

(b) Compensation of key management personnel

The remuneration of Directors and other key management personnel during the financial years was as follows:

kEUR	1.1.2012 –31.12.2012	1.1.2011 –31.12.2011
Wages and salaries	415	320
Contributions to defined contribution plans	5	4
	420	**324**

30. RISK MANAGEMENT OBJECTIVES AND POLICIES

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the consolidated financial statements.

To date, the Group does not have a comprehensive risk management system in operation. Due to the rapid growth the Group has experienced in recent years, it is aware of the need to implement such a system.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, credit risk, liquidity risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

30.1 MARKET RISK

(i) Foreign currency sensitivity

Most of the Group's transactions are carried out in RMB. Exposures to currency exchange rates arise from the Group's overseas sales, which are primarily denominated in US dollars (USD). The Group also holds cash balances and other payables denominated in US dollars. During the course of the period, the average balances held were immaterial and were not hedged.

The Group does not currently actively take measures to mitigate its exposure to foreign currency risk in sales.

Furthermore the Group prepares its financial statements in EURO as the reporting currency and therefore its results and net assets are exposed to retranslation risk as a result of fluctuation in the RMB/EURO exchange rate.

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and USD/RMB exchange rate with all other factors being constant.

It assumes a +/- 10% change of the USD/RMB average exchange rate for the twelve (12) months' period for the financial years under review respectively. This percentage has been determined based on the average market volatility in exchange rates during the financial year ended 31 December 2012. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

If the RMB had strengthened against the USD by 10% then this would have had the following impact:

kEUR	Profit for the year	Equity change
31 December 2012	-108	-108
31 December 2011	-279	-279

If the RMB had weakened against the USD by 10% then this would have had the following impact:

kEUR	Profit for the year	Equity change
31 December 2012	108	108
31 December 2011	279	279

Exposures to foreign exchange rates vary during the financial years depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

(ii) Interest rate sensitivity

The Group's policy is to minimise the interest rate cash flow risk exposures on short-term financing. As at 31 December 2012, the Group is exposed to changes in market interest rates through short-term bank borrowings being renewed at interest rates different to those currently in place. The exposure to interest rates for the Group's funds deposited with banks is considered to be immaterial.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 2%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each reporting period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

If the average market interest rates increased by 2% then this would have had the following impact:

kEUR	Profit for the year	Equity change
31 December 2012	-597	-597
31 December 2011	-471	-471

If the average market interest rates decreased by 2% then this would have had the following impact:

kEUR	Profit for the year	Equity change
31 December 2012	597	597
31 December 2011	471	471

30.2 CREDIT RISK

Receivables may give rise to credit risk which requires the loss to be recognised if a counter party fail to perform as contracted. The Group extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history on an ongoing basis.

The Group's exposure to credit risk is influenced by the individual characteristic of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

At the end of the reporting period, approximately 33% (2011: 16%) of the Group's trade receivables were due from 5 major customers who are uniform customers and garment manufacturers located in the PRC.

As the Group does not hold any collateral, the maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the consolidated statements of financial position.

In respect of the cash and bank balances placed with major financial institutions in the PRC, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

No impairment loss needed to be recognised in the profit or loss in respect of financial assets during the reporting periods.

The Group does not enter into derivatives to manage credit risk.

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in Note 10 to the consolidated financial statements.

kEUR	**31.12.2012**		31.12.2011	
	Carrying value	**Maximum exposure**	Carrying value	Maximum exposure
Financial assets				
Cash and cash equivalents	49,509	49,509	25,659	25,659
Trade and other receivables	47,239	47,239	30,397	30,397
Total financial assets	**96,748**	**96,748**	**56,056**	**56,056**

30.3 LIQUIDITY RISK ANALYSIS

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. There is a risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. Liquidity needs are monitored closely with any significant cash outflows being considered against prevailing liquidity position prior to it being committed.

The Group maintains cash to meet its liquidity requirements for a 30-day period at a minimum. Funding for long-term liquidity needs is additionally secured by the availability of credit facilities from financial institutions, which the management believes no significant difficulty to obtain given the past repayment record of the Group with the banks.

As at 31 December 2012, the Group's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

kEUR	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Trade and other payables	11,099	-	-	-
Borrowings	14,095	16,324	-	-
Total	**25,194**	**16,324**	**-**	**-**

As at 31 December 2011, the Group's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

kEUR	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Trade and other payables	15,818	-	-	-
Borrowings	16,554	10,298	-	-
Total	**32,372**	**10,298**	**-**	**-**

30.4 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern;

(ii) to ensure sufficient capital to achieve the Group's strategic goals; and

(iii) to provide an adequate return to shareholders by pricing products commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity, loans and cash and cash equivalents as presented on the face of the consolidated statements of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, i. e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

During the financial years under review, the management monitored capital of the respective companies within the Group separately in a way that there would always be sufficient reserves in the equity for distribution of dividends. Upon the completion of the restructuring exercise and the IPO on the Frankfurt Stock Exchange in Germany, the Group also monitors capital using a gearing ratio. This gearing ratio will be net debt divided by total net debt and equity. A detailed calculation of the net debt is shown in the breakdown below:

kEUR	31.12.2012	31.12.2011
Borrowings	29,427	25,991
Cash and cash equivalents	-49,509	-25,659
Net debt	-20,082	332
Equity	95,522	48,687
Total net debt and equity	**75,440**	**49,019**

31. SIGNIFICANT EVENTS DURING THE REPORTING PERIODS

The Group is regarded as a continuing entity resulting from the reorganisation exercise since the management of all the above entities, which took part in the reorganisation exercise were controlled by the same management and under the common controlling party before and immediately after the reorganisation exercise. Consequently, there was a continuation of control over the entities' financial and operating policy decision and risk and benefits to the ultimate control party that existed prior to the reorganisation exercise. The reorganisation exercise has been accounted for restructuring transactions under common control.

32. REMUNERATION REPORT

32.1 COMPENSATION OF MANAGEMENT BOARD MEMBERS IN 2012

In 2012, Mr. Guofeng Yang received a total compensation of EUR 74,040 (RMB 600,000) for his services as CEO.

In 2012, Mr. Hao Cao received a total compensation of EUR 59,232 (RMB 480,000) for his services as CFO.

In 2012, Mr. Yingjun Fu received a total compensation of EUR 59,232 (RMB 480,000) for his services as COO.

In 2012, Ms. Xinxin Wang received a total compensation of EUR 59,232 (RMB 480,000) for her services as Director and member of the Management Board.

All members of the Management Board received the same compensation for their services in 2011. Ms. Xinxin Wang joined the Group in July 2011 and therefore received a pro rata payment in 2011.

All members of the Management Board received a fixed compensation and no performance-based compensation for their services.

32.2 COMPENSATION OF SUPERVISORY BOARD MEMBERS

In accordance with German Stock Corporation Act, the Supervisory Board members do not have service agreements with the company. As the members of the company's Supervisory Board are the first members of the Supervisory Board within the meaning of section 30 of the German Stock Corporation Act (AktG), according to Section 113 (2) Clause 1 of the German Stock Corporation Act their remuneration can only be determined by the Annual General Meeting that approves their actions, which will be held on 20 June 2013. The members of the Management Board and Supervisory Board intend to propose to that General Shareholders' Meeting that it adopt the following remuneration for the Supervisory Board members:

The members of the supervisory board Faxia Wan, Linxian Wu and Guoyuan Yang being in office from 21 July 2011 until the passing of the general meeting dated 18 October 2012 shall not receive any remuneration for their services.

The members of the supervisory board Philipp Ellick (chairman), Prof. Edgar Rosenberger (vice chairman) and Chao Yu being in office since 18 October 2012 shall receive a pro rata remuneration in accordance with the duration being in office in 2012.

Function	Fixed remuneration for the term of office between 18 October 2012 until 20 June 2013 (in EUR)	Variable remuneration
Chairman of the Supervisory Board	80,000	n/a
Deputy Chairman of the Supervisory Board	50,000	n/a
Ordinary member of the Supervisory Board	13,500	n/a

Every member of the Supervisory Board is entitled to reimbursement for expenses incurred for the purpose of his office. The Supervisory Board members are not entitled to any special benefits upon termination of their office.

33. TOTAL FEES OF THE AUDITOR

BDO AG has been appointed as auditor of the individual and consolidated financial statements of the company for the financial year 2012. The following table shows the fees of BDO recognised (including out of pocket expenses and VAT, if any) in the financial year:

kEUR	**1.1.2012 to 31.12.2012**	1.1.2011 to 31.12.2011
Fees for audit services	199	25
Fees for other assurance services	52	617
Fees for other services	75	0
Total fees of the auditor	**325**	**642**

34. SIGNIFICANT EVENTS AFTER THE REPORTING PERIODS

There have been no events between 31 December 2012 and [22 April 2013] that would require an adjustment to the carrying amount of the assets and liabilities or that would need to be disclosed on this heading.

35. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Management Board and Supervisory Board jointly issued the declaration required by Section 161 of the German Stock Corporation Act (AktG) on 29 December 2012, and made it accessible to shareholders on the company's website at www.firstextile.de within the Investor relations section.

RESPONSIBILITY STATEMENT

To the best of our knowledge, we declare that, according to the principles of proper consolidated reporting applied, the consolidated financial statements provide a true and fair view of the company's net assets, financial position and results of operations, that the consolidated management report presents the company's business including the results and the company's position such as to provide a true and fair view as well as a description of the principal opportunities and risks associated with the company's expected performance.

Frankfurt am Main, 22 April 2013

Guofeng Yang **Hao Cao** **Xinxin Wang** **Yingjun Fu**

AUDITOR'S REPORT

The free translation of the audito's report states as follows:

"We have audited the consolidated financial statements prepared by the Firstextile Aktiengesellschaft, Frankfurt am Main, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the financial year from January 1, 2012 to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a(1) of the HGB are the responsibility of the legal representatives of the parent company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the financial information of those components consolidated, the scope of the consolidation, the accounting and consolidation principles used and the significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a(1) of the HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development."

Hamburg, April 22, 2013

BDO AG
Wirtschaftsprüfungsgesellschaft

Dr. Zemke
Wirtschaftsprüfer
(German Public Auditor)

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Wirtschaftsprüfer
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FORWARD LOOKING STATEMENTS, OUTLOOK AND INFORMATION

This report contains forward-looking statements. These statements are based on current experience, estimates and projections of the management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict, and are based upon assumptions as to future events that may not be accurate. Many factors could cause the actual results, performance or achievements to be materially different from those that may be expressed or implied by such statements. Such factors include those discussed in the Risk Report from page 38 to 41. We do not assume any obligation to update the forward-looking statements contained in this report. In addition, we would like to point out that rounding differences can result from the use of rounded amounts and percentages in accordance with the commercial rounding practices. Basis for the calculation of the percentage changes are in thousands rounded amounts.