

ANNUAL REPORT
2014



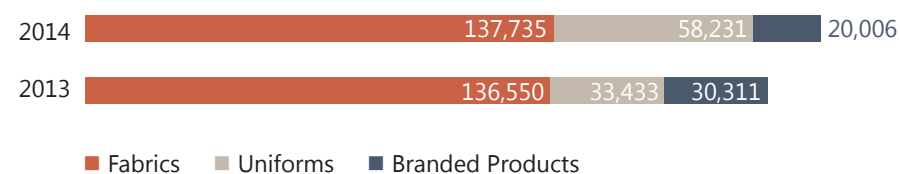
KEY FINANCIAL INFORMATION AT A GLANCE

EUR m	FY 2014	FY 2013	Change
Overview of key figures			
Revenue	216.0	200.3	+7.8 %
Gross Profit	65.9	64.8	+1.7 %
EBIT	41.3	41.6	-0.7 %
EBIT margin	19.1 %	20.8 %	-1.7 pp
Net Profit	28.1	32.9	-14.6 %
EPS (in EUR)	2.38 ¹	2.79 ¹	-14.7 %
At the end of the reporting period			
Total assets	300.9	185.3	+62.4 %
Equity	170.1	126.2	+34.8 %
Equity ratio	56.5 %	68.1 %	-11.6 pp
Financial debt	96.6	30.7	+214.7 %
Liquid funds	120.2	72.0	+66.9 %

¹ On the basis of a time-weighted average number of 11,800,000 ordinary shares

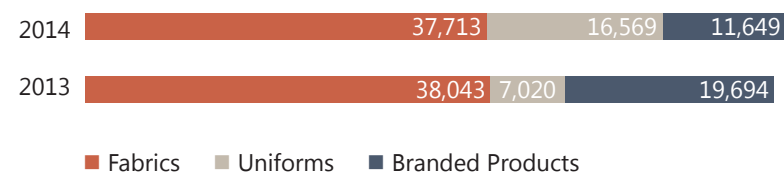
REVENUE BY SEGMENT FY 2014

kEUR



GROSS PROFIT PER SEGMENT FY 2014

kEUR



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The new production site, which is built on a 55 acres land with gross floor area (GFA) of around 42,000 sqm, is directly next to the existing one.



Fred Yang (right), CEO of Firstextile AG, introducing the progress of the new plant to Dr. Yann Samson (middle), Chairman of the Supervisory Board.



NEW PRODUCTION SITE

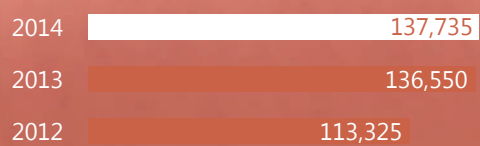
With completion of the new production site in the middle of 2015, Firstextile is poised to reach another important milestone in the company's history. The new four-storey plant is built on a 55 acres land with gross floor area (GFA) of around 42,000 sqm. Most machinery has already been successfully ordered in the first months of 2015. The foundations for the planned expansion are in place, so that the plant will take up production during the third quarter of 2015. With the new production facility Firstextile is able to continue its well-defined growth strategy with main focus on production capacity expansion as the main revenue driver. The current annual production capacity comprises 36 million meters of fabric and will be doubled to 72 million meters in order to meet future demand for high-end fabrics. Besides, weaving capacity will also be increased from almost 11 million meters to 27 million meters and dyeing capacity from 7,900 tons to 15,800 tons.



Interior work is completed and most machinery has already been successfully ordered for installation in Q2 2015.

+ 0.9 %

REVENUE (in kEUR)



- 0,9 %

GROSS PROFIT (in kEUR)





FABRICS

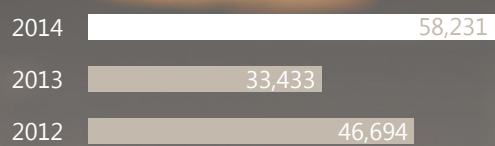
In our largest business segment in terms of revenue we concentrate on the fast growing premium segment of high-end fabrics in China.

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.

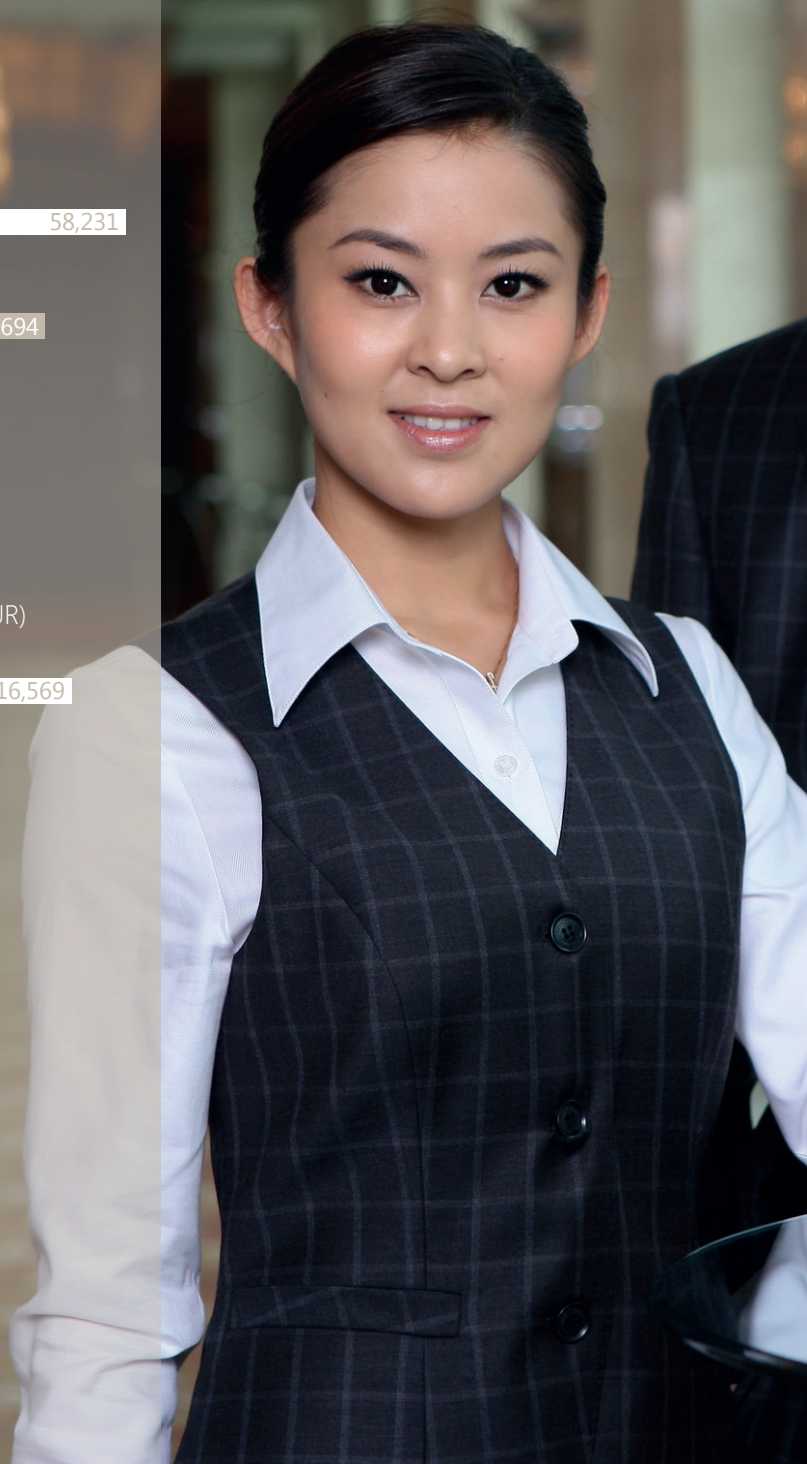
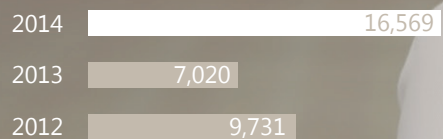
Beside the quality of our products, increasing efficiency in our production process is also a top priority. Our sustainable commitment to research and development activities together with research scientists of the prestigious Jiangnan University always keeps us on the competitive edge in the industry.

This commitment to excellent quality we live in our work every day - and makes us one of the leading producers of high-end fabrics in China.

+ 74.2 %
REVENUE (in kEUR)



+ 136.0 %
GROSS PROFIT (in kEUR)





UNIFORMS

Launched in early 2011, the Uniforms segment offers uniform shirts and suits state-owned enterprises and government institutions.

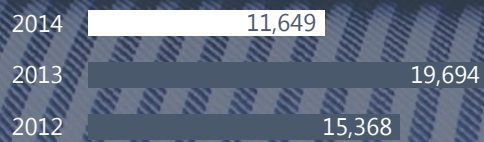
Products in the Uniforms segment are distributed via bidding process. Currently we are nominated as a short-listed supplier for 25 government institutions and state-owned enterprises. Customers focus in this segment lies on product quality, functionality and price as well as the reputation and reliability of a uniform manufacturer.


Firstextile as a well-managed high-tech company focusing on premium quality is very well positioned in this market. This is an excellent basis for sustainable growth in future.

- 34.0 %
REVENUE (in kEUR)



- 40.9 %
GROSS PROFIT (in kEUR)



 First textile



BRANDED PRODUCTS

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. Under the brand „Firstextile“ are offered high-quality shirts to wholesale customers, which are made from the Company's own high-end yarn-dyed fabric. The portfolio of shirts is continuously changing according to market developments, seasons and fashion trends.

“Firstextile” – our brand stands for high-end premium fashion “Made in China”.





TO OUR SHAREHOLDERS

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LETTER TO THE SHAREHOLDERS

Dear Shareholders,

In the financial year 2014, Firstextile successfully continued the positive business development of previous years. In an overall positive market environment, we have exploited our opportunities and successfully expanded our business activities. As one of the leading producers of high-end fabrics in China, we have sold in the past year approximately 35.7 million meters of fabric and supplied more than 200,000 Uniform shirts and suits to state enterprises and institutions. Therefore, we exceeded our guidance for 2014, increasing our annual revenue to EUR 216.0 million. Today we are proud to announce that we reached again a new record revenue level – well beyond the EUR 200 million revenue mark.

Key to this success is our well-structured business model in different sectors of the textile industry. With a strategic focus on the three segments Fabrics, Uniforms and Branded Products, we have the necessary entrepreneurial flexibility to efficiently utilize our capacity in line with demand in each area. Accordingly, due to the strong performance of the Uniforms segment, representing a revenue growth of 74.2%, we were able to over-compensate revenue decrease in the Branded Products segment. Thanks to the revenue growth in the Fabrics and Uniforms segment, the gross profit margin still remained at very high level of 30.5%. The high profitability of our business model is also reflected in the remaining strong EBIT margin of 19.1%.

To remain competitive in the long term, we aim to drive forward our well-defined growth strategy. In the attractive textile market of China, our specific positioning in the market and the stability of our well structured business model consisting of three segments, ensures us an excellent foundation for sustained profitable growth. In order to better seize the opportunities, we have identified four strategic elements: expansion of production capacity, further improving the status as selected shortlisted supplier to government institutions and state-owned enterprises, focusing on core business as well as sustainable growth through a compelling product quality guaranteed by the ongoing investment in R&D. In this context we also decided last year to spin off our retail brand “VARPUM” by the end of 2014, since the business development in the retail business stayed far below our expectations. However this has no relevant impact on our revenue or profitability with less than 1% revenue share to the group, but allows us to even more concentrate on our core competence as one of the leading manufacturers of high-end yarn-dyed fabrics in the Chinese market.

Regrading our expansion plans, we are pleased that the completion of the new production facility is imminent during the next months. Most machinery has already been ordered before the end of the first quarter of 2015 and will be installed during the the first half year. The plant will take up production in the middle of 2015 and therefore will already contribute to this year’s revenue. After finishing the new plant, we aim to double capacity in order to meet future demand on high-end fabrics.



Hao Cao Xinxin Wang

Guofeng Yang Yingjun Fu

Overall, I am convinced that we will continue our business growth in the coming years. For 2015, in a relatively healthy but sustained challenging economic environment of China, we expect our total revenues for the financial year 2015 between EUR 213 million and EUR 237 million and EBIT margin of between 16% and 18% slightly below 2014.

Finally, on behalf of the entire Management Board, I would like to thank our shareholders and hope that you will continue to accompany us in our further growth.

Guofeng Yang

Chief Executive Officer

MANAGEMENT INTERVIEW

Mrs Wang, Mr Cao: To meet future demand for Firstextile's fabrics and shirts, you decided to expand the production capacity. Are you satisfied with the project's progress?

Xinxin Wang: At the moment, Firstextile's production capacity is almost fully utilised and further revenue growth is mainly limited by this factor. We are very pleased having arrived now in the final construction phase of the new production facility. Most machinery has already been ordered before the end of the first quarter of 2015 and currently is being installed successfully. The plant will take up production in the middle of the year. Even though this is some months later than initially expected, we are very satisfied with the quality of the construction works and the state-of-the-art machinery. We aim to double our annual production capacity from approximately 36 million meters of fabric to 72 million meters. In addition, annual weaving capacity will also be increased from almost 11 million meters to 27 million meters and dyeing capacity from 7,900 tons to 15,800 tons. The successful expansion will not only contribute to increasing revenue, but also show advantages of leverage economies of scale. The new production facility is a key factor to continue our growth trend in recent years – and this year we are taking this important step.

In fiscal year 2014, you achieved new record revenue of EUR 216 million. Which factors did contribute to the positive business development in 2014?

Hao Cao: This strong increase in revenue was mainly attributable to the strong development in the Uniforms segment due to large bulk orders in this business. Here we benefit from our strong position in the domestic Chinese market: In the meantime, Firstextile is a selected shortlisted supplier to 25 government institutions and state-owned enterprises. Overall we were able to over-compensate the revenue decrease in the Branded products segment which was attributable to the unfavorable economic environment for the corporate gift business. But we did not only achieve record revenue in 2014. In addition we remain profitable at a high level, achieving a gross profit margin of 30.5% and an EBIT margin of 19.1%.

Xinxin Wang: The key to success is our strong core business with fabrics as the major product that is sold in different segments – depending on the demand. Our company's success in the previous year clearly proves the flexibility and reliability of our business model. In the coming years we will concentrate even more on our core competence as one of the leading manufacturers of high-end yarn-dyed fabrics in the Chinese market. Therefore, last year we decided to spin off the retail brand "VARPUM", since the business development in the retail business stayed far below our expectations. This decision has no relevant impact on the company's revenue or profitability with less than 1% revenue share, but we stop throwing good money after bad.

The Chinese economy has lost momentum in 2014. How do you assess the situation for the Chinese textile industry and Firstextile?

Hao Cao: The overall Chinese textile and clothing industry showed positive signs also in 2014. In 2015 experts expect a slowdown, but nevertheless stable growth being slightly below the trend of the GDP of 7.1%. In the case of Firstextile, the ongoing anti-corruption actions by the Chinese government could have negative effects on the corporate gift business in the Branded Products segment. However, we are optimistic to compensate a possible decrease in this business by an overall positive business development in the other segments. Therefore we expect total revenue between EUR 213 million and EUR 237 million.

Xinxin Wang: Our focus will remain on the Chinese domestic market, where we still recognize huge growth potential for our company. We are one of the leading manufacturers in the booming market for high-end yarn-dyed fabrics in China. Meeting the demand on our high-end products is only limited by our own production capacities – but this issue will be solved by mid of this year. Besides, we have very good business relations to several government agencies and public enterprises. Thus with the high potential of the numerous government institutions and state-owned enterprises in China, we see excellent opportunities to expand our status in the Uniform business in a medium and long-term and to benefit from this accordingly.

Since 12 November 2012, Firstextile' share is listed on the Frankfurt Stock Exchange. What can shareholders expect in 2015?

Xinxin Wang: Following our successful IPO at the Frankfurt Stock Exchange on 12 November 2012, our share performance has been close to the issue price for a long time. Then our share decreased by around 27% over the course of last year. In March 2015 the share price stood at EUR 7.60. I am of the opinion that this is mainly due to the constant string of negative news about several companies from China. Unfortunately there were some new scandals of Chinese companies last year which are listed on the Frankfurt Stock Exchange. Therefore, our share was certainly burdened. But in the medium-term, however, I am convinced that our company's ongoing positive business development will also be reflected in Firstextile's share price.

Hao Cao: The business trend in 2014 has confirmed again that we are on the right track. In view of the positive development of Firstextile, I still believe in the potential of our share. So it seemed only logical to start a public buyback offer to buy back up to 354,000 shares of the company at an offer price of EUR 8.00 per share. The period for acceptance is running until 10 June 2015. Including a premium of approximately 8.4% on the reference stock quote, the offer currently is an attractive offer for investors in my opinion.



SHARE AND INVESTOR RELATIONS

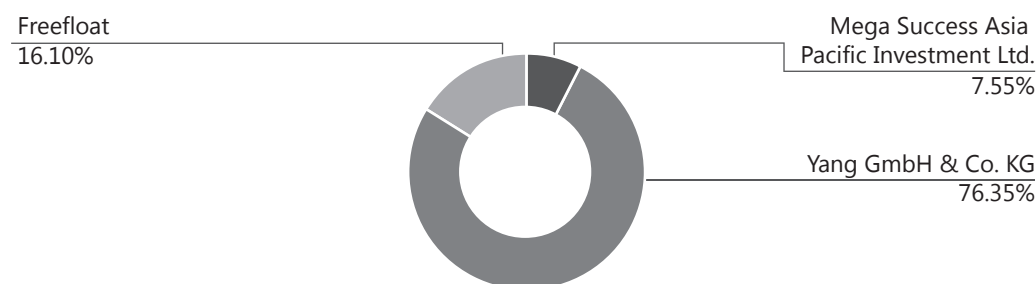
Performance

1 JANUARY 2014 TO 31 MARCH 2015
EUR



The shares of Firstextile AG (FT8) have been traded in 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). From then on, the share of Firstextile AG experienced ups and downs in the following two financial years recording a strong downturn in the second half of 2014. Starting the year 2014 at EUR 10.00 on 2 January 2014, the share of Firstextile AG achieved the highest closing price of EUR 10.45 on 7 March 2014. This has been followed by a continuously decreasing share price in 2014. The all-time-low in 2014 occurred on 13 November 2014 at EUR 6.53 before achieving a share price of EUR 7.28 on 30 December 2014. Firstextile AG's share decreased by around 27.2% over the course of the year. On 31 March 2015 the share price stood at EUR 7.60.

Shareholder structure



Share Key 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

Share buyback offer 2015

The Management Board of Firstextile announced on 6 February 2015, with the Supervisory Board's consent, that the company makes use of the authorization granted by the Annual Shareholders' Meeting on June 20, 2013 in accordance with Section 71, Para 1, No. 8 AktG and to make a public buyback offer to buy back shares of the company. The buyback offer applies to up to 354,000 Firstextile Shares, which corresponds to up to 3 per cent of the Company's current share capital.

The offer price amounts to EUR 8.00 per share. According to the resolution of the Annual General Meeting, the repurchased shares may be used by the Company for any permitted purpose. The acceptance period has started on Tuesday, 10 February, 2015 and will end on Wednesday, 10 June, 2015 at 12:00 o'clock (CET).

All further offer details are set out in the offer document, are available on the website www.firstextile.de under the Investor Relations section as well as in the Electronic Federal Gazette of February 10, 2015.

Investor Relations

Since its initial public offering (IPO) in the Prime Standard segment of the Frankfurt Stock Exchange in November 2012, Firstextile AG has communicated actively with equity research analysts, investors and journalists in order to fulfill the high transparency standards of the Prime Standard. In this context, the company participated at the German Equity Forum 2014 in Frankfurt/Main in November 2014. 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. Firstextile plans to exceed the standards required by the Prime Standard by regularly communicating with the financial community.

In the 2014 financial year, the company was covered by the following research institutions:

- | Warburg Research (until 19 March 2014)
- | Edison Investment Research

Annual General Meeting 2014

Firstextile AG's second Annual Meeting of Shareholders was successfully held on June 24, 2014, in Frankfurt/Main, Germany. The Managing Board reported in detail on the company's performance in 2013 as well as the forecast for the current fiscal year. In addition, the management informed about the current state of the increase in production capacity. At the Annual General Meeting, all agenda items were mainly accepted by a large majority of the shareholders present. A total of 78.85% of capital stock with voting rights was represented.

Detailed information on the voting results can be viewed at any time in the Investor Relations section of the company's website: www.firstextile.de.

Financial Calendar 2015

27 May 2015	Q1 Report 2015
June 2015	Annual General Meeting
26 August 2015	H1 Report 2015
18 November 2015	Q3 report 2015
23-25 November 2015	Deutsches Eigenkapitalforum, Frankfurt/Main

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

The financial year 2014 was another very successful year for Firstextile Group even exceeding the expectations reaching a further record revenue level. Despite the challenging environment following the slowed down dynamic growth of the Chinese economy during the reporting year, the company was again able to further significantly grow as a key provider of fabrics and shirts in the Chinese market and has initiated measures to expand on the production capacities and guarantee further sustainable growth.

In the financial year 2014, the Supervisory Board provided advice and monitoring to the Management Board and discharged all duties and obligations imposed on it by law, the Company's Articles of Association and its internal rules of procedure. It is the Supervisory Board's responsibility to monitor and supervise the Management Board and to act in an advisory capacity.

The Management Board provided the Supervisory Board with regular information on the development of the overall performance, results and activities of Firstextile AG, the Group and its individual product and market segments and responded to the questions put to it by the Supervisory Board. The Supervisory Board continuously cooperated with the Management Board requested and received information on corporate planning, the company's continued strategic development and principal projects on an ongoing basis and was advising the Management regularly. The strategic planning of the company was coordinated between the Management Board and the Supervisory Board.

Constitution of the Supervisory Board

The Supervisory Board of Firstextile AG comprises Dr. Yann Samson as Chairman, Marco Eberhard Pabst as Vice-Chairman and Chao Yu as board member. The constitution of the Supervisory Board remained unchanged within the fiscal year 2014.

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.

Meetings of the Supervisory Board

The Supervisory Board held in total five meetings in the financial year 2014. These meetings took place on 11 April, 28 April, 23 June, 09 July and 24 October 2014.

The meetings hold on 11 April and 28 April 2014 mainly dealt with the financial statements 2013, the preparation and convocation of the AGM. During the meeting on 23 June the Supervisory Board especially covered the strategy on the branding business and retails shops. The meeting on 09 July dealt with the approval of a loan facility granted to China Firstextile (Holdings) Ltd., a 100% subsidiary of Firstextile AG, and secured by a guarantee by Firstextile AG. During the meeting on 24 October progress on the new production facilities and expected impact on the business was reviewed and discussed together with a continued discussion on the branding business and retail shops.

During all meetings the Supervisory Board also reviewed the results of the implementation of a risk management system. Furthermore, the Management Board provided a detailed update on the recent business developments.

On 12 December 2014 the Supervisory Board further approved the sale of the Jiangsu Fanbai Men's Apparel Co., Ltd. including the Varpum business based on a valuation report.

The communication between the Management Board and the Supervisory Board was further intensified in the financial year 2014 using a monthly formal reporting in addition to the existing communication in meetings, reports, phone calls etc. Scope and contents of the reports had been defined beforehand.

All decisions made by the Supervisory Board during the reporting period were unanimous.

Corporate Governance

On 17 December 2014, the Supervisory Board resolved 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 2014, no conflicts of interest with members of the Management 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 2014

In its accounts review meetings on 22 April 2015 the Supervisory Board discussed the financial statements 2014 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), both of which had a reporting date of 31 December 2014. In addition, the Supervisory Board reviewed the management reports for both the company and the group for the 2014 fiscal year. All documents to be reviewed in this context were submitted to the Supervisory Board in good time, so that the Supervisory Board 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 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.

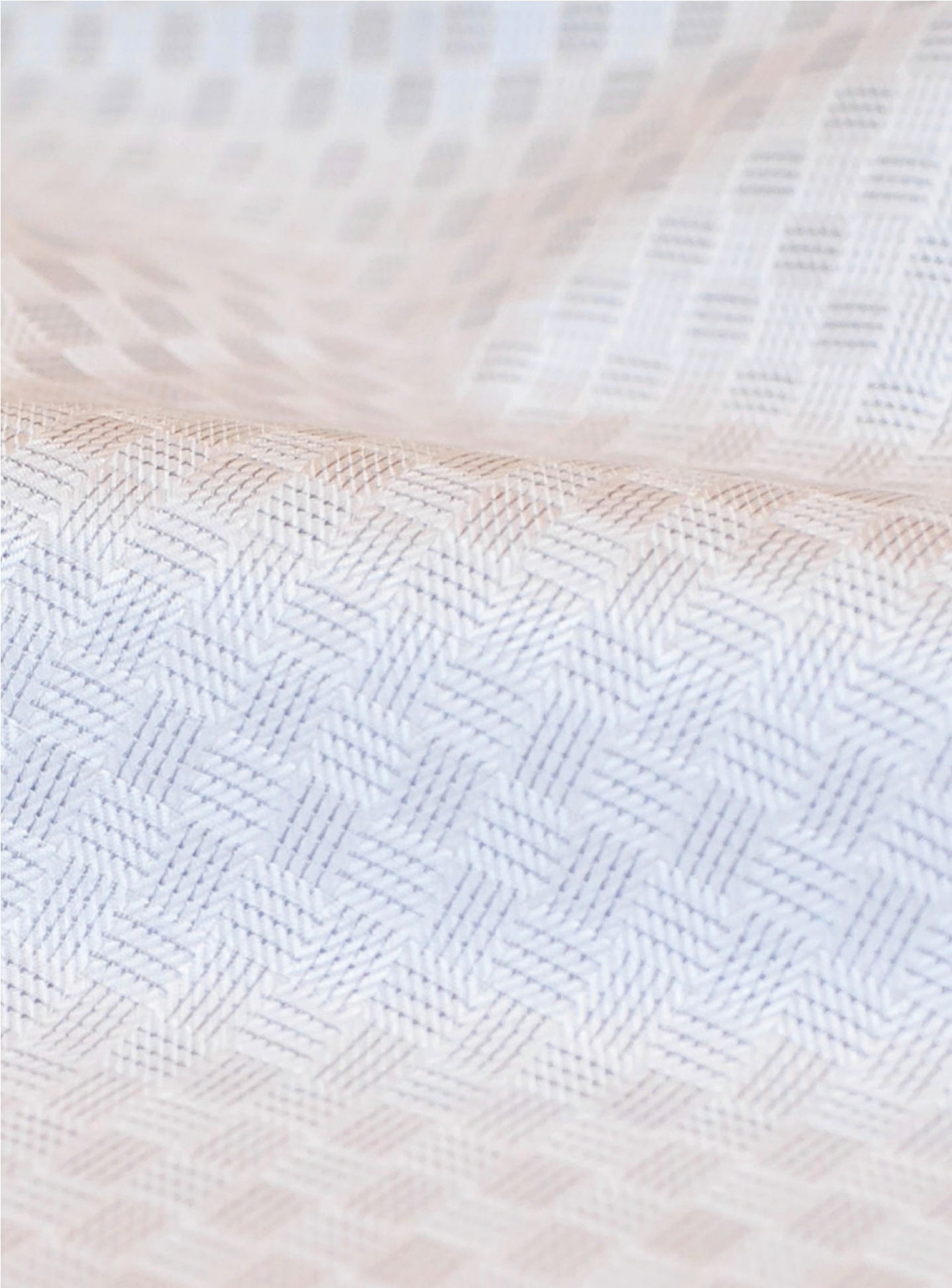
The Supervisory Board discussed the annual financial statements with the Management Board and the auditor. The Supervisory Board had no objections. The annual financial statements and consolidated financial statements of Firstextile AG, dated 31 December 2014, were approved by the Supervisory Board in a resolution dated 27 April 2015. As a result, Firstextile AG's annual financial statements, dated 31 December 2014, 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.

27 April 2015

Dr. Yann Samson

Chairman of the Supervisory Board





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CONSOLIDATED GROUP MANAGEMENT REPORT

1. Basis of the Group

1.1 Business model

Firstextile is a leading manufacturer of high-end yarn-dyed fabric for the Chinese market with its three business segments: Fabrics, Uniforms and Branded Products. In 2014, the Fabrics segment contributed to 63.8% of the revenues (2013: 68.2%) and the Uniforms segment for 27.0% (2013: 16.7%), while the Branded Products segment accounted for 9.3% (2013: 15.1%). 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.

Fabrics segment

In its Fabrics segment, Firstextile produces yarn-dyed fabric. With the capability of offering more than 8,200 fabric pattern designs by the end of 2014, Firstextile meets a wide range of demands and requirements from its customers by providing them with specifically designed fabric. Contributed to the strong R&D and in-house pattern design capability, the company focuses on producing two types of yarn-dyed fabrics:

- | High-end fabrics mainly beyond 70 counts and up to 300 counts; and
- | Multifunctional fabrics with special features, such as anti-bacterial, anti-static, ultraviolet resistant, flame retarding, skin protecting, etc.

The segment also comprises the sale of uniform fabric, which is mostly produced from a mixture of fibers, including synthetic fibers. While the company conducts the dyeing and after-finishing completely in-house, the comparatively labor-intensive weaving process is largely outsourced to original equipment manufacturers (“OEM”). Customers for yarn-dyed fabric in China comprise trading companies and apparel manufacturers. Uniform fabric is distributed via bidding processes to government institutions and state-owned enterprises.

Uniforms segment

In the Uniforms segment, the company produces fabric for uniform shirts based on clients’ specific requirements (typically made of a mixture of cotton and synthetic fibres), while sewing is outsourced to OEM. In addition, Firstextile offers entire uniforms consisting of suits and shirts and also offers sweaters and other accessories if required by customers. Products in the Uniforms segment are distributed to government institutions and state-owned enterprises which mainly operate via bidding processes. Only a certain number of companies is selected as short-listed suppliers and thereby licensed to participate in these biddings. Due to the strong R&D capability, Firstextile has high expertise in the uniform market and therefore has been selected as a shortlisted supplier to 25 government institutions and state-owned enterprises, i.e. China Railway, China Mobile, China Telecom, China Unicom, Bank of Communications, China Merchants Bank, State Administration of Taxation, China Security Association and many more.

Branded Products segment

In its segment Branded Products, Firstextile operated in 2014 two menswear brands –“Firstextile”, which aims the wholesale business for e.g. corporate gifts and “VARPUM” spun off in the meantime which focused on the retail business of the premium menswear market.

The Management Board and the Supervisory Board has spun off the 100% share in Jiangsu Fanbai Men’s Apparel Co., Limited, Jiangyin, China which retails the brand “VARPUM” by the end of 2014 since the business development in the retail business stayed far below the Management’s expectations. Today Firstextile concentrates on its core competence as one of the leading manufacturers of high-end yarn-dyed fabrics in the Chinese market.

Beside own branded products like suits, jackets, pants, sweaters, t-shirts, shoes and other accessories, last year the main revenue driver in this segment were premium shirts which were offered under the brand name “Firstextile” through wholesale channel and made from the company’s own high-end yarn-dyed fabric. The portfolio of shirts including 40 to 50 different patterns is continuously changing according to market developments, seasons and fashion trends.

Four Pillars Growth Strategy

Firstextile has a well-defined growth strategy with main focus on production capacity expansion as the main revenue driver since the company has almost full utilization of production capacity during 2014. Besides, the company has identified the following factors being relevant for its further growth: larger production capacity, focus on the company’s core business, achieving economies of scale, more complete and efficient distribution channels, and higher product quality and innovation.

In order to achieve these goals Firstextile has defined a growth strategy based on four pillars:

i. Production Capacity Expansion

Firstextile’s annual production capacity comprises approximately 36 million meters of fabric, and aims to double after-finishing capacity to 72 million meters in order to meet future demand. In connection with this, weaving capacity will also be increased from almost 11 million meters to 27 million meters and dyeing capacity from 7,900 tons to 15,800 tons. Due to some delay in the construction process, the plant will take up production during the third quarter of 2015 and therefore some months later than initially expected. Most machineries have already been successfully ordered before the end of the first quarter of 2015. In addition the company will increasingly be able to leverage economies of scale and to reduce implementation risk by duplicating the current setup.

ii. Strengthen Uniforms segment

At the end of 2014, Firstextile is a selected shortlisted supplier to 25 government institutions and state-owned enterprises. In the future, the company aims to leverage its status as pre-approved supplier with numerous large uniform purchasers in order to force segmental revenue sustainable. Due to the huge market potential government institutions and state-owned enterprises Firstextile sees excellent chances to improve its status as selected shortlisted supplier significantly in a mid and long term. Besides the company wants to strengthen sales efforts and activities to the broaden customer base at the same time.

Four pillar growth strategy for a successful business development

Business focus remains on domestic Chinese high end fabrics market

iii. Focus on core business

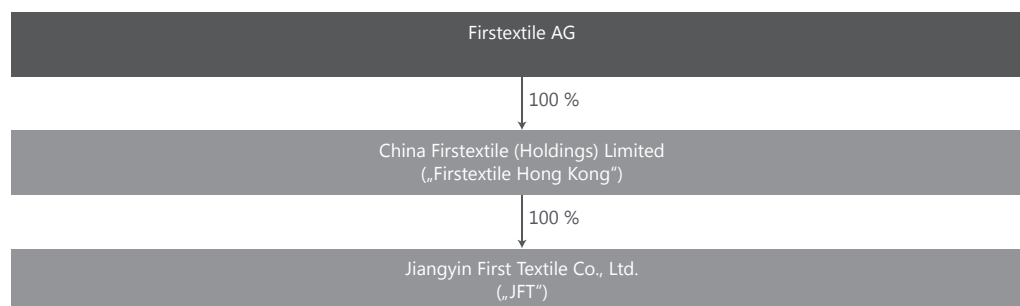
In order to drive forward the company's growth trend in the coming years, Firstextile more than ever will concentrate on its core competence as one of the leading manufacturers of high-end yarn-dyed fabrics in the Chinese market. Firstextile believes that in this way there are excellent chances to grow further the business sustainably. Therefore, it was a consistent step to spin off the "VARPUM" brand since establishing this retail brand was a cash intensive project without considerable success and far behind the company's expectations. The company will use free resources to push the Uniforms and Fabrics segments as well as the wholesale business in the Branded Products segment.

iv. Strengthen product quality and R&D

R&D activities are a main driver of Firstextile's success. Thus the company will strengthen R&D team and laboratory equipment consequently. Also it will intensify its successful university cooperation to increase the creation of new and functional fabrics. Within its R&D activities, the company will especially focus on strengthening the development of functional fabrics, enhanced processes, high count products and green production. Firstextile will push this process continuously and therefore intends to maintain its annual R&D expenses at an amount around 3% of revenue.

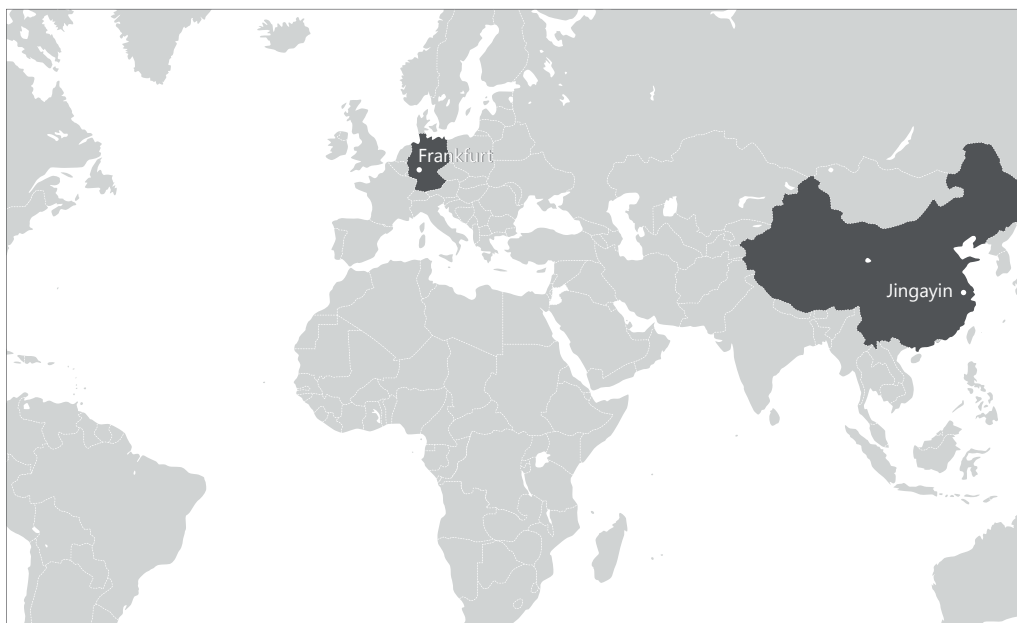
1.2 Business structure and holdings

As of the date of publication, the Firstextile group comprises the listed company Firstextile AG, Frankfurt/Main, Germany, and its direct and indirect wholly-owned subsidiaries, China Firstextile (Holdings) Limited ("Firstextile Hong Kong"), Hong Kong, and Jiangyin First Textile Co., Ltd. ("JFT"), Jiangyin, China. The subsidiary Jiangsu Fanbei Men's Apparel Co., Ltd ("JFB") was sold at the end of 2014. Firstextile's operating activities are realized by its subsidiaries domiciled in China. The current corporate structure of Firstextile is presented in the chart below:



1.3. Business locations and Employees

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.



As of 31 December 2014, Firstextile employed 828 people in the year 2014 (2013: 862). Firstextile does not employ temporary contract workers. The table below provides a breakdown of the number of people employed as of 31 December 2014 and 2013 respectively:

Category of employees	2014 ¹	2013
Management and administration	75	83
Sales, marketing and purchasing	117	172
Research and development	38	40
Production and quality assurance	598	567
Total employees	828	862

¹ The 54 employees of Jiangsu Fanbei Men's Apparel Co., Ltd that was sold by the end of 2014 are not included.

Firstextile believes that well-trained and skilled workers are essential to ensure the consistent quality of its products and increase production efficiency. Therefore, the company 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 the future but also to give young people the opportunity to start successfully into their professional life.

*Ensuring consistent
high quality through
well-trained workers*

1.4 Control system and performance indicators

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 its capital structure and makes adjustments taking into account changes in the general economic conditions and the risk characteristics of the underlying assets.

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 is net debt divided by total net debt and equity.

Spinning-off the "VARPUM" brand in the financial year of 2014 has no relevant impact on the company's revenue or profitability with less than 1% revenue share to the group – neither in 2014 nor in future.

Revenue

One of the performance indicators of Firsttextile business activities and the company's growth is the revenue development. Since the basis of Firsttextile's products in all three segment is fabric and due to the ongoing high market demand in China, typical segmental sales fluctuations can be compensated by the other segments. Therefore Firsttextile always takes the overall revenue development at Group level as performance indicator of the company's overall business activities.

Currently, Firsttextile's production capacity is almost fully utilised and further revenue growth is limited by this factor. The management expects significant growth development once the new plant is expected to begin operation in the third quarter of 2015 and production capacities are doubled.

Gross profit and gross profit margin

The primary performance indicator used to evaluate and control a segment's operations and earning position is its gross profit. Since the customers and product mix differ in the each segment, also margins in each segment differ considerably. In a long-term perspective, the management's goal is to achieve in the Fabrics segment a gross profit margin between 22% and 28%. In the Uniforms segment, the gross profit margins may vary significantly between the various customers, and therefore the management's target gross profit margin in the Uniforms segment lies between 15% and 25%. The long-term goal in its Branded Products segment is between 45% and 55%.

EBIT and EBIT margin

Earning before interest and tax (EBIT) is the primary performance indicator used to evaluate and control operations and earning position at Group level. The management's goal in a long-term perspective is an EBIT margin at Group level between 12% and 18%.

Following you find an overview on the development of the financial performance indicators mentioned above:

Performance Indicators		2014	2013	2012	2011
Revenue at Group level	EUR mn	216.0	200.3	179.5	131.7
EBIT margin at Group level	%	19.1	20.8	22.3	22.3
Gross profit margin by segments					
Fabrics	%	27.4	27.9	27.6	24.3
Uniforms	%	28.5	21.0	20.8	31.7
Branded Products	%	58.2	65.0	78.7	83.6

R&D as one of the main competitive strengths

1.5 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.

Four major research fields

R&D targets four major research fields: (i) high-count fabric, (ii) fabrics functionality, (iii) efficiency of fabrics production processes, and (iv) minimizing the environmental impact of production.

In 2014, Firstextile dedicated 3.0% of its revenue to R&D. Firstextile's R&D department consisted of on average 39 people employed during the year of 2014. 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.

Long-term collaboration with Jiangnan University, China

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 2014, 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.

Firstexile – a High and New Technology Enterprise

As a consequence, Firstexile was recognised as „High and New Technology Enterprise“ in Jiangsu Province in 2010 for the first time and in 2013 once gain. Furthermore, Firstexile was also recognised as “Key High and New Technology Enterprise” by National Torch Program in 2013.

The successful co-operation has already led to 24 utility model patents including six innovative patents, 17 utility model patents and one appearance design patent. The patents relate to process improvements, product functionality, product design and environmental protection. 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.

Firstexile 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, Firstexile 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. Firstexile intends to maintain its R&D expenses at an amount around 3 % of revenue.

Sustained positive economic environment for 2015 expected

2. Consolidated Group Management Report

2.1 Business environment

2.1.1 Global economic trends

According to the Kiel Institute for World economy (IfW), the outlook for the global economy has continuously brightened during the year 2014. The economists expect that the global economy will gather momentum in the next two years resulting in a global growth rate of 3.7% for 2015 and 3.9% in 2016. For the full year 2014, the IfW calculates that the global economy realized a growth rate of 3.4%

Overall, a more highly expansionary monetary policy and suggestions on the part of the oil price promote the global economy and have been increasingly falling on fertile ground due to the progressive deleveraging process in the private sector. In addition, paralyzing effects of the fiscal policy in the advanced economies lose significance.

2.1.2 Economic development in China

The most relevant target market of Firstexile AG is the domestic market in China. In China, the basic trend of a moderate economic expansion continued in 2014. According to China's statistics office, the economic growth in the year 2014 has declined to 7.4%. This is the slowest economy growth since 1990. According to the Kiel Institute for World economy, China's economy growth will also continue in the following years and is expected to achieve a growth rate of 7.0% in 2015 and 6.7% in 2016.

2.1.3 Textile and Clothing Industry in China

The overall Chinese textile and clothing industry showed positive signs in the fiscal year 2014. The Chinese textile and garment industry developed still above average, but not as dynamic as in previous years. In 2014, Chinese textile and clothing firms increased total revenues by 6.4% to RMB 5.8 billion (approx. EUR 712 million). At the same time, profits of the textile sector grew by 6.1% to RMB 331.3 billion. About 70% of the production volume is located in the five provinces of Shandong, Jiangsu, Zhejiang, Fujian and Guangdong. For the next 13th five-year plan (2016 to 2020), the Chinese textile industry expects a slowdown, but nevertheless stable growth being slightly below the trend of the GDP.

According to the China National Textile and Apparel Council the momentum of China's textile industry has slowed significantly since 2011. From 2000 to 2010, the average growth was 18.8%, but then dropped to 12% over the past four years. The price of high-quality cotton in China is about 30% higher than the international level. This caused fiber processing in China to drop by 26% in 2014.

Overall, the Chinese textile and clothing industry is facing far-reaching changes. The traditional competitive advantages such as cheap labor and low-cost mass production have been dwindling. Despite the continued positive development of the Chinese textile industry experts expect this sector to be confronted with the increasing cost pressure and a fight for jobs in face of a rapidly growing service sector in the next years.

2.2 Business Development

In the financial year of 2014, Firstextile overall recorded a positive development in its business. At almost full utilization of production capacities, the company achieved to drive forward its business activities on a high level. In detail, the development in the specific segments differed during the year. The Fabrics segment grew in each quarter yoy due to the ongoing high demand at the Chinese market for high-end fabrics. The Uniforms segment showed significant growth, although quarterly fluctuations are generally typical for business in this area due to the dependence on few large orders.

At the same time, there was a negative development in the Branded Products segment resulting in a sustainable revenue slump. The Management Board and the Supervisory Board of Firstextile decided to spin off the VARPUM brand since the business development in the retail business stayed far below the Management's expectations. The company will even more concentrate on its core competence as one of the leading manufacturers of high-end yarn-dyed fabrics in the Chinese market. With less than 1% revenue share to the group and even operating loss in 2014, spinning-off the VARPUM brand has no relevant impact on the company's revenue and earnings situation in the future.

EUR m	Actual figure as of 31.12.2013	Guidance according to the annual report 2013	Actual figure as of 31.12.2014
Revenue	200.3	190 to 210	216.0
EBIT margin	20.8%	16% to 18%	19.1%

In addition, currently Firstextile is in the end phase of completion of its capacity expansion. Most machineries have been successfully ordered before the end of the first quarter of 2015. Thus the new plant will begin operation during the third quarter of 2015 and will contribute to increasing revenues from the second half of 2015 onwards.

2.3. Results of Operations and Analysis of the Financial Situation

2.3.1 Results of Operations

The consolidated financial information presented in this report was prepared in Euro (EUR), while Firsttextile's functional currency is Renminbi (RMB), which is currently not freely convertible. The average exchange rates with which the information relating to the consolidated income statements contained was converted to Euro were EUR 0.1225 per RMB for 2013 and EUR 0.1222 per RMB for 2014. Due to the development of the currency conversion rate EUR/RMB, the comparison between the income information of the financial year 2013 and the financial year 2014 is slightly more positive when expressed in RMB than in EUR. Measured in RMB, Firsttextile's revenue in 2014 increased by 8.1% over the same period of previous year (compared to an increase of 7.8% in EUR).

The following table presents the income data of Firsttextile AG for financial year of 2014 on a consolidated basis with comparative data for the same period of previous year:

kEUR	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Revenue	215,972	200,294
Cost of sales	(150,041)	(135,537)
Gross profit	65,931	64,757
Other income	344	308
Distribution and selling expenses	(11,571)	(9,622)
Administrative and general expenses	(7,173)	(7,448)
Research and development expenses	(6,453)	(6,263)
Net finance costs	(4,595)	(1,642)
Profit before tax	36,483	40,090
Tax expense	(8,422)	(7,171)
Net profit for the financial period	28,061	32,919

TOTAL REVENUE

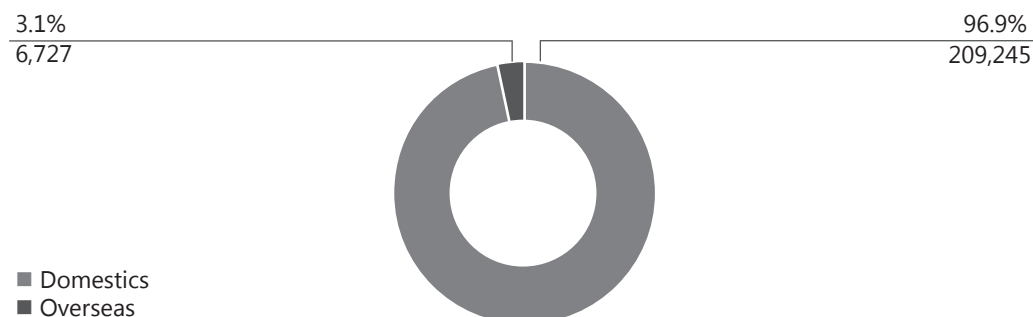
kEUR

2014	215,972
2013	200,294

Within the financial year of 2014, Firsttextile achieved revenue totalling kEUR 215,972, and therefore 7.8% above previous year's revenue amounting to kEUR 200,294 in 2013. This strong increase is mainly attributable to the strong revenue increase of 74.2% in the Uniforms segment due to large bulk orders in this business. With a revenue growth of 0.9% yoy in the Fabrics segment, the revenue level was nearly the same like in the previous year. Overall thus the company was able to overcompensate revenue decrease in the Branded products segment which was attributable to the unfavorable economic environment for the corporate gift business in this segment (for detailed information see below: "Revenue by segments").

REVENUE BY REGIONS

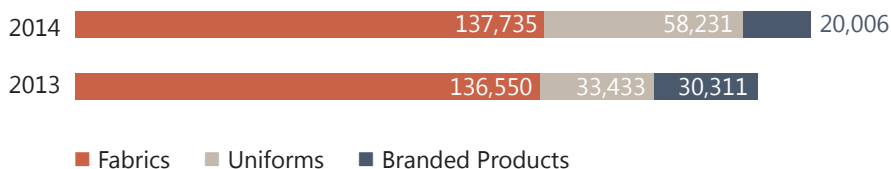
kEUR



Geographically, 96.9% of revenue or kEUR 209,245 was generated on the domestic Chinese market in 2014 (2013: 98.7% or kEUR 195,745) with only 3.1% of revenue or kEUR 6,727 resulting from direct exports (2013: 1.3% of revenue or kEUR 4,549). These figures reflect Firstextile's strategic focus remaining on the Chinese market where, particularly in the high-end segment, more attractive gross profit margins can be achieved than with exports.

REVENUE BY SEGMENT

kEUR



In the Fabrics segment, Firstextile achieved revenue increase of 0.9% to kEUR 137,735 after kEUR 136,550 in the previous year. Overall this growth reflects the remaining high market demand on high-end fabrics in China. Within the stable market environment and producing close to full capacity utilization, significant increases in the sales volume will be possible once Firstextile has finished its capacity expansion in the middle of 2015 successfully. Due to delays in the construction process, the plant will take up production a few months later than originally planned. The management evaluates the market environment in this segment very positively.

Revenue in the Uniforms segment increased by 74.2% to kEUR 58,231 in 2014 which was due to an improving order momentum during the year 2014. Following revenue in the Uniforms segment increased significantly in the third quarter of 2014 thanks to some bulk orders of two major customers. According to the special nature of this business, revenue in this segment generally depends on relatively fewer large orders. A fluctuation in segment revenue quarter-on-quarter is not exceptional and are well balanced in a long-term perspective. Since order income during 2014 was relatively strong, Firstextile recorded a significant increase in its annual Uniforms revenue.

In the Branded Products segment, revenue decreased significantly in 2014. After revenue of kEUR 30,311 in 2013, this segment saw a decrease of 34.0% to kEUR 20,006 in 2014. This development is due to the unfavorable economic environment for the corporate gift business as an important part of this segment.

However, overall revenue development in the fiscal year of 2014 exceeded management expectations. Moreover, the point that the company managed to switch production capacities to the other two segments proves the flexibility of Firsttextile's business model and ensures an optimal capacity utilization.

Cost of sales (COS) was at kEUR 150,041 in 2014 after kEUR 135,537 in the previous year of 2013. The increase of 10.7 % of COS was above the increase of revenue due to a different revenue distribution by segments yoy. As a result, gross profit increased slightly by 1.8 % to kEUR 65,931 (2013: kEUR 64,757). The gross profit margin remained at a very high level of 30.5 % in the reporting period after 32.3 % in the previous year of 2013. This gross profit margin is due to the increasing revenue share of the Uniforms segment while Branded Products segment which achieves higher gross profit margins than the other segments dropped.

TOTAL GROSS PROFIT

kEUR



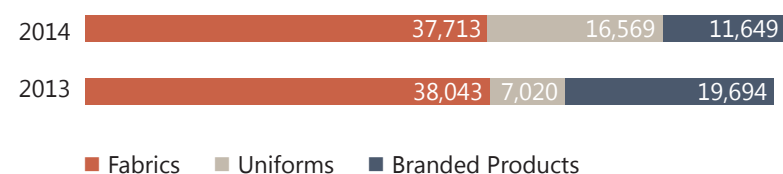
In the Fabrics segment, the gross profit decreased by 0.9% to kEUR 37,713 (2013: kEUR 38,043) in 2014, contrary to the segment revenue growth which was up by 0.9% leading to a segmental gross profit margin of 27.4% in 2014 (2013: 27.9%). This gross profit margin remaining at a high level evidences the success of Firsttextile's strategy of focusing on the strong Chinese market for high-end fabrics. Due to high average selling prices and the strong pricing power, the company can achieve very attractive gross profit margins by focusing on this market segment.

Besides, the gross profit in the Uniforms segment increased significantly by 136.0% to kEUR 16,569 (2013: kEUR 7,020). Since gross profit more than doubled in 2014, the segmental gross profit margin was significantly lifted to 28.5% in 2014 (2013: 21.0%). The increase in profitability is due to orders from different customers that provided higher margins than in the previous year.

Gross profit in the Branded Products segment decreased by 40.9% to kEUR 11,649 in 2014 (2013: kEUR 19,694). The gross profit margin in the Branded Products segment in 2014 remained on a high level of 58.2% compared to 65.0% in 2013, even though it decreased since the traded product mixtures offered in 2014 achieve much lower gross profit margins than the own branded premium men shirts.

GROSS PROFIT PER SEGMENT

kEUR



Compared to the financial year of 2013, other income, mainly comprising pattern grading income, stayed on a stable level at kEUR 344 in 2014 (2013: 308). In connection with the revenue expansion and raised compensation level as the percentage of revenue for the company's sales staff, distribution and selling expenses rose to kEUR 11,571 in 2014 (2013: kEUR 9,622). Besides this, administrative and general expenses decreased in 2014 to kEUR 7,173 (2013: kEUR 7,448), which mainly occurred from reduced administration expenses in connection with the listing on the Frankfurt Stock Exchange in Germany. Underlining the great importance for Firstextile, the research-spending ratio measured against revenue amounted to 3.0% (2013: 3.1%). Due to overall revenue increase, the total expenses for research and development were up by 3.0% to kEUR 6,453 (2013: kEUR 6,263).

As a result, the earnings before interest and tax (EBIT) in 2014 decreased by 0.8% to kEUR 41,311 (2013: kEUR 41,628). This development yoy is due to an increase across distribution and selling expenses and higher spending for research and development. The company's EBIT margin in 2014 remained strong and amounted to 19.1% after 20.8% in 2013.

Net finance costs amounting to kEUR 4,595 in 2014 were above the level in the previous year (2013: kEUR 1,642) and were mainly attributable to interests on short-term loans and long-term loans. Additionally, coordinating arranger fee in amount of kEUR 1,724 relating to the syndicated long-term loan was incurred as other financial item in 2014. Consequently, profit before tax stood at kEUR 36,483 in 2014 (2013: kEUR 40,090). In the fiscal year of 2014, the tax expenses rose to kEUR 8,422 compared to kEUR 7,171 in 2013 mainly due to extra withholding tax for dividend payment between JFT and Firstextile Hong Kong. From 2013 onwards, Firstextile enjoys a reduced income tax rate of 15% as a "High and New Technology Enterprise".

Firstextile's net profit decreased to kEUR 28,061 in 2014 after kEUR 32,919 in the previous year of 2013, resulting in a net profit margin of 13.0% (2013: 16.4%). This development is due to the above mentioned increase across distribution and selling expenses as well as the increase in financial and tax expenses in the reporting period.

On the basis of a time-weighted average number of 11,800,000 ordinary shares, earnings per share in 2014 amounted to EUR 2.38 after EUR 2.79 in the previous year 2013.

TOTAL NET PROFIT
kEUR

2014	28,061
2013	32,919

2.3.2 Financial Position

As of 31 December 2014, Firstextile's total assets amounted to kEUR 300,933 (31 December 2013: kEUR 185,334) due to its significantly increased current and non-current assets mainly in connection with the business expansion. In addition also the change in the currency conversion rate yoy had an effect on the increase of total assets. Compared with Firstextile's balance sheet as of 31 December 2013, non-current assets increased by 35.3% to kEUR 64,127 (31 December 2013: 47,385), while current assets increased significantly by 71.7% to kEUR 236,806 (31 December 2013: kEUR 137,949).

The non-current assets represent increasing property, plant and equipment in the amount of 56,153 (31 December 2013: kEUR 41,677). This increase of kEUR 14,476 is because of the construction of the additional production site, in particular due to the purchase of machineries for the new plant. Land use rights were up to kEUR 5,925 at the end of the financial year of 2014 (31 December 2013: kEUR 5,427, affected by the change in the year-end exchange rate). The management evaluates the development in non-current assets as very positive.

Besides this, current assets increased significantly by 71.7% to kEUR 236,806 (31 December 2013: kEUR 137,949) due to the company's higher level of business activity and the change in the financing structure in 2014. Inventories were slightly up to kEUR 14,297 (December 31, 2013: kEUR 12,488) and trade and other receivables up to kEUR 102,355 (December 31, 2013: kEUR 53,510). The increase of trade and other receivables is due to the increase of trade receivables from uniform customers who usually have longer credit terms than fabric customers, as well as the increase of advance payments to suppliers as a measure of securing subsequent supply of raw materials and trading apparels. Besides also cash and cash equivalents increase significantly up to kEUR 120,154 (31 December 2013: kEUR 71,951) due to the entrance into the long-term loan with Nomura International (Hong Kong) Ltd.

At the end of 2014, current liabilities decreased to kEUR 43,302 (31 December 2013: kEUR 59,091), as a result of the switch in financing. Thereby short-term borrowings decreased to kEUR 9,156 (31 December 2013: kEUR 30,669). These borrowings are short-term bank loans denominated in RMB used for general corporate purpose of Firstextile. On the other hand, trade and other payables increased to kEUR 25,778 as of 31 December 2014 (31 December 2013: kEUR 24,446). Thereinto, trade payables have decreased by kEUR 4,445 to kEUR 12,782, while other payables are increased by kEUR 5,897 mainly due to increased accrued expenses for sales bonus for the company's sales staff. As of 31 December 2014, the company's total equity amounted to kEUR 170,141 reflecting an equity ratio of 56.5% (31 December 2013: kEUR 126,243; 68.1%). The management is satisfied with the capitalization of the company.

2.3.3 Cash flows

Firstextile's cash flows before movement in working capital (profit before tax plus depreciation, adjusted for interest expenses/income) totalled kEUR 45,364 (2013: kEUR 45,131). In 2014, inventories showed a cash outflow of kEUR 622 compared to a cash inflow of kEUR 789 in the previous year of 2013. At the same time, trade and other receivables strongly increased by kEUR 39,327 (2013: kEUR 7,810) as a result of the company's solid order situation in 2014 and increased level of trade receivables from uniform customers and prepayments to suppliers for securing raw materials and purchased uniforms in advance. At the same time, trade and other payables decreased by kEUR 2,416 (2013: increased by kEUR 11,740). Cash flows from operations consequently amounted to kEUR 2,999 in 2014 (2013: kEUR 49,850). Net cash flows generated by operating activities were at kEUR -4,259 in the reporting period of 2014 compared to kEUR +43,417 in the same period of 2013.

After posting negative cash flows from investing activities of kEUR -19,379 in 2013, negative cash flows in this area totalled kEUR -16,108 in 2014. The significant net cash outflows in both years mainly relate to the construction of the new plant and the purchase of machineries for the new plant respectively, and are reflected in the strong increase of property, plant and equipment of the group.

Cash flows from financing activities increased significantly to kEUR 57,651 in 2014 compared to negative cash flows of kEUR -340 in the previous year's reporting period. This difference is due to the proceeds from the new long-term loans offset partially by net repayment of short-term loans in the third quarter of 2014. Taking changes of currency exchange rates into account, Firstextile's cash and cash equivalents at the end of December 2014 totalled kEUR 120,154 (31 December 2013: kEUR 71,951).

Cash and cash equivalents are mainly held in countries where a permit is required for transferring money abroad. Nonetheless, the cash can be transferred within a reasonable period, if the Group management meets the necessary requirements.

2.3.4 Overall view of Firstextile's economic and financial position

The 2014 financial year was a successful year for Firstextile. Thanks to the positive market environment in the company's business model, Firstextile was able to expand its annual revenues from kEUR 200,294 in 2013 to kEUR 215,972, representing a new record in Firstextile's history and exceeding the guidance for 2014. Furthermore, the company remains profitable at a high level with an EBIT of kEUR 41,311 and an EBIT margin of 19.1%, also exceeding the EBIT margin of between 16% and 18% predicted for the fiscal year of 2014. Net profit for the financial year 2014 amounted to 28,061 and thus was slightly below the level of previous year. Alongside Firstextile's high equity ratio of 56.5% place the company into a very good position to successfully promote business development in 2015. Cash and cash equivalents amounted to kEUR 120,154 at the end of 2014. Thus, the company is able to meet its payment obligations.

3. Significant Events after the Reporting Period

The Management Board of Firstextile announced on 6 February 2015, with the Supervisory Board's consent, to make use of the authorisation granted by the Annual Shareholders' Meeting on June 20, 2013 in accordance with Section 71, Para 1, No. 8 AktG and to make a public buyback offer to buy back shares of the company.

The buyback offer applies to up to 354,000 Firstextile Shares, which corresponds to up to 3 per cent of the Company's current share capital. The offer price amounts to EUR 8.00 per share. The offer price includes a premium of approximately 8.4% on the reference stock quote of approximately EUR 7.38 which is the average stock market price at the Frankfurt Stock Exchange between and including the fourth and tenth trading days before 6 February, 2015 as day of the first public announcement of the share repurchase. The repurchased shares may be used by the Company for any permitted purpose according to the resolution of the annual general meeting. The period for accepting the offer will end on Wednesday, 10 June, 2015 at 12:00 o'clock (CET) (acceptance period).

4. Corporate Governance

4.1 Statement of Compliance per Section 289a of the German Commercial Code (HGB and Corporate Governance Code

Good corporate governance is of great significance for Firstextile AG (the „Company“). The following pages contain the Company's statement on corporate governance in accordance with sec. 289a of the German Commercial Code („HGB“) as well as the Corporate Governance Report in accordance with sec. 3.10 of the German Corporate Governance Code („Code“).

Declaration of conformity

The Management Board and Supervisory Board of Firstextile AG (the „Company“) make the following declaration in accordance with section 161 AktG:

The Company complies with the recommendations of the German Corporate Governance Code as amended on 24 June 2014 (the „Code“) except for the following deviations and will comply with these recommendations except for the following deviations:

a. Deductible

The Code recommends in section 3.8 paragraph 3 upon entering into a directors' and officers' liability insurance policy to agree on a deductible for the Supervisory Board of the Company corresponding to the deductible set out in the statutory provisions for members of the Management Board.

The Company has entered into a directors' and officers' liability insurance without any specific deductible for members of the Supervisory Board. In the Company's opinion, responsible actions of the members of the Supervisory Board are not promoted additionally by an agreement on a respective deductible.

b. Remuneration of the Management Board

Section 4.2.3 of the Code contains recommendations on the remuneration of the Management Board.

The Company deviates from the recommendations as set forth in section 4.2.3 of the Code, insofar as the current members of the Management Board only receive fixed salaries without variable components. The compensation of the members of the Management Board is exclusively provided under the employment agreements of the members of the Management Board with the operative Jiangyin First Textile Co. Ltd., a Chinese enterprise of Firsttextile Group. This complies with the current Chinese standards which usually only contain fixed and no variable remuneration components.

c. Age limit for Members of the Management Board

Section 5.1.2 paragraph 2 sentence 3 of the Code recommends the specification of an age limit for the members of the Management Board.

The Supervisory Board has not provided for an age limit of management as it considers qualified persons with comprehensive experience eligible for the Management Board irrespective of their age.

d. Formation of Committees

Section 5.3.1 and section 5.3.2 of the Code recommend the constitution of several Supervisory Board committees.

Since the Supervisory Board is composed of only three members, the constitution of committees, which in general have to be composed of at least three members, is impossible and, apart from that, not required because intensive and qualified discussions can be conducted in plenary meetings.

e. Objectives for the composition of the Supervisory Board

Section 5.4.1 paragraph 2 of the Code recommends that the Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of section 5.4.2 of the Code, an age limit to be specified for the members of the Supervisory Board and diversity and, in particular, stipulate an appropriate degree of female representation.

Diversity in terms of professional education, local market know-how, international business experience, stock- and capital-market experience, age, gender and nationality was taken into consideration in forming the Supervisory Board on the occasion of the annual general meeting on 20 June 2013. Such and further criteria concerning the composition of the Supervisory Board will be reconsidered on a regular basis, which the Supervisory Board considers more appropriate than the specification of concrete objectives regarding its composition and the definition of quotas for special groups.

f. Publication of consolidated financial statements and interim reports

Section 7.1.2 of the Code recommends that the annual consolidated financial statements should be publicly accessible within 90 days of the end of the financial year and interim reports should be publicly accessible within 45 days of the end of the respective reporting period.

By now, the Company does not comply with these time limits. Due to its international holding structure and linguistic challenges which have to be overcome during the preparation of the financial reports, the Company has put and will put more emphasis on accurate financial statements rather than to exactly meet the recommended time limits.

The declaration of conformity on the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) is also permanently available on the Company's website (<http://www.firstextile.de/en/investor-relations/corporate-governance/declaration-of-conformity-sec-161-aktg.html>).

Supervisory Board

The Supervisory Board supervises and consults with the Management Board concerning its managerial activities in accordance with statutory provisions and the articles of incorporation. The principles relating to the cooperation within the Supervisory Board are set forth in its rules of procedure. The Supervisory Board appoints the Management Board, and is entitled to dismiss its members for justifiable reasons. It informs the Supervisory Board regularly, promptly and comprehensively, especially concerning fundamental matters relating to corporate planning and the net assets, financial position and results of operations, as well as the company's profitability and business trends. The Supervisory Board is involved in all decisions of fundamental importance for Firstextile AG.

Pursuant to Section 12 of the articles of incorporation, the Supervisory Board consists of three members elected by the AGM. The Supervisory Board members notify the Supervisory Board of any potential conflicts of interest. In the financial year 2014, no conflicts of interest with members of the Management 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. Further information regarding the work of the Supervisory Board can be found in the report of the Supervisory Board for the financial year 2014 on pages 18 to 19 of the group's annual report 2014.

As Firstextile's Supervisory Board consists of three members it has refrained from the formation of committees from among its membership since such committees would also consist of the statutory minimum number of three members. Due to its small size, the Supervisory Board regards itself as capable of efficiently and confidentially handling all topics in plenary meetings. In addition, the formation of committees only preparing the decisions of the Supervisory Board would also be inappropriate. Since such committees would then need to consist of fewer than three members, and would consequently be unable to pass resolutions.

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

Name	Date of birth	From	Term expires in ³	Function
Dr. Yann Samson	8 June 1973	2013	2017	Chairman of the Supervisory Board
Marco Eberhard Pabst	3 May 1969	2013	2017	Deputy Chairman of the Supervisory Board
Chao Yu	2 February 1976	2013	2017	Ordinary member of the Supervisory Board

³ Term of office expires after the General Shareholders' Meeting that formally discharges the Supervisory Board members for the 2014 financial year.

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

Dr. Yann Samson

Dr. Yann Samson is member of management board of financial.com AG and managing director of ATACAMA Capital GmbH, resident in Munich. He was appointed as member and chairman of Firstextile's Supervisory Board in June 2013. The period of office ends with the passing of the annual general meeting in 2017.

Marco Eberhard Pabst

Marco Eberhard Pabst is Chief Investment Officer at ACPI Investment Managers in London. In June 2013, he was appointed to a member and Deputy Chairman of the Supervisory Board of Firstextile. His term of office ends at the general meeting in 2017.

Ms. Chao Yu

Ms. Chao Yu is managing director of Wuxi Super Electronic Co. Ltd., resident in Hong Kong. She was appointed as member of Firstextile's supervisory board in June 2013. The period of office ends with the passing of the annual general meeting in 2017.

Management Board

The Management Board of Firstextile AG manages the company's business transactions at its own responsibility, and is its legal representative. It develops the company's strategic orientation, coordinates it with the Supervisory Board, and ensures that it is implemented. The Management Board discusses the status of strategy implementation with the Supervisory Board at regular intervals. The Management Board of Firstextile AG also ensures that statutory regulations and internal guidelines are complied with across all Group companies (compliance).

The rules of business procedure for the Management Board include more specific details about the Management Board's duties to report to the Supervisory Board, as well as certain types of transactions that the Management Board may perform only with Supervisory Board assent, i.e. sale or acquisition of operations or divisions of a certain size, establishment or closing of production sites and branch establishments or confer or denial procuration or general commercial power of attorney. The rules of business procedure also include the schedule of responsibilities of the Management Board and provide regulations about matters reserved for the full Management Board.

The Supervisory Board appoints the Management Board, and determines its compensation. The Management Board currently consists of four members:

- | Guofeng Yang, Chief Executive Officer
- | Yingjun Fu, Chief Operating Officer
- | Hao Cao, Chief Financing Officer
- | Xinxin Wang, Director and Member of the Management Board

Avoiding conflicts of interest

In the 2014 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 43 to 44. The Remuneration Report summarizes 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 successfully held its second (public) Annual General Meeting (AGM) on 24 June 2014. The 2015 AGM will be held in June 2015. 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"), 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 acknowledged by the AGM.

4.2 Information according to article 315 sec. 4 of 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.

Firstextile AG's shareholders before the IPO, i.e., Yang GmbH & Co. KG, Mega Success Asia Pacific Investment Ltd. and Plumbohm International Ltd. 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 contribute 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 did 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.

Since the end of this lock-up period on 12 November 2013, all shares of Firstextile AG are freely transferable and are subject to no restrictions.

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 TECHCO

INTERNATIONAL LIMITED, Yang Verwaltungs GmbH and Yang GmbH & Co. KG. TECHCO INTERNATIONAL LIMITED, a company wholly owned by Mr. Guofeng Yang, is the limited partner of Yang GmbH & Co. KG (organized as "Einheits-GmbH & Co. KG") which held 100% of the shares of Yang Verwaltungs GmbH. Yang Verwaltungs GmbH is the general partner 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, consists of one or more members. If the Management Board consists of more than one member, 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 5,900,000.00 („Authorised Capital 2013"). Based on the Authorised Capital 2013, 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 5,900,000.00 by issue of up to 5,900,000 shares in return for cash or non-cash capital contributions until 19 June 2018.

In case of a capital increase based on the Authorised Capital 2013, 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 2013.

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.

4.3 Dependency Report

Firstextile AG is majority owned by the Yang GmbH & Co. KG, Frankfurt/Main, Germany. Personally liable partner of Yang GmbH & Co. KG is the Yang Verwaltungs GmbH, Frankfurt/Main, Germany. All limited partner's shares are held by TECHCO International Ltd. (BVI), British Virgin Islands. Firstextile AG is therefore first dependent company of Yang GmbH & Co. KG and beyond as a second-tier subsidiary indirectly dependent of Yang Verwaltungs GmbH and TECHCO International Ltd. (BVI). Therefore the Management Board has report to the Supervisory Board in accordance with § 312 AktG properly on relations with affiliated companies. The dependency report closes with the following statement:

„We state that Firstextile AG, according to the circumstances that were known at the time in which the legal transactions were made and measures were taken, received adequate consideration for each legal transaction and that there was no negative impact on the company as a result of measures that were taken.“

4.4 Remuneration Report

4.4.1 Compensation of the Management Board Members

In 2014, Mr. Guofeng Yang received a total compensation of EUR 117,312 (2013: EUR 102,900) for his services as CEO.

In 2014, Mr. Hao Cao received a total compensation of EUR 58,656 (2013: EUR 58,800) for his services as CFO.

In 2014, Mr. Yingjun Fu received a total compensation of EUR 58,656 (2013: EUR 58,800) for his services as COO.

In 2014, Ms. Xinxin Wang received a total compensation of EUR 58,656 (2013: EUR 58,800) for her services as Executive Director.

In total the management board received EUR 293,280 for its services in 2014 (2013: EUR 279,300).

All members of the Management Board received a fixed compensation and no performance-based compensation for their services. The compensation did not include long-term incentive components.

4.4.2 Compensation of the Supervisory Board Members

Compensation paid to the Supervisory Board is governed by the company's Articles of Association. In addition to reimbursing expenses, it stipulates that each member of the Supervisory Board is to receive fixed compensation that is determined by the Annual General Meeting. Supervisory Board members that are only members during a portion of a fiscal year receive proportionately less compensation. The Supervisory Board members are not entitled to any special benefits upon termination of their office. The company also reimburses Supervisory Board members for any VAT they are required to pay on their compensation. Moreover, the company insures Supervisory Board members at its own expense against civil and criminal recourse in connection with the execution of their official duties; the company has also contracted corresponding liability insurance against legal expenses and property loss (D&O insurance). On the basis of the consolidated financial statements from December 31, 2014, the members of the Supervisory Board will receive compensation valued at a total of EUR 70,000 for the 2014 financial year (2013: EUR 130,666).

The following table provides an overview of the compensation to each individual member of the Supervisory Board for performing their duties in the 2014 fiscal year:

Function	Fixed annual remuneration in EUR	Variable remuneration	Attendance fee for board meeting in EUR ⁴
Chairman of the Supervisory Board	30,000	n/a	EUR 1,000.00 for every physical meeting, which is increased to EUR 2,000.00 for members of the supervisory board who are not resident in Asia if a physical meeting is held in Asia and for the members that are resident in Asia if a physical meeting is not held in Asia.
Deputy Chairman of the Supervisory Board	20,000	n/a	
Ordinary member of the Supervisory Board	20,000	n/a	

⁴ The attendance fee applies only if more than four board meetings are held per fiscal year.

The total payments made in 2014 in the amount of EUR 70,000 (2013: EUR 130,666) are composed of the remuneration of the Supervisory Board up to the annual general meeting of the Company on June 24, 2014 and the new Supervisory Board elected by the annual general meeting of the company. The breakdown is shown in the following list:

kEUR	2014	2013
Dr. Yann Samson (since 21 June 2013)	30,000	15,000
Marco Eberhard Pabst (since 21 June 2013)	20,000	10,000
Chao Yu	20,000	19,000
Philipp Elick (until 20 June 2013)	-	53,333
Prof. Edgar Rosenberger (until June 2013)	-	33,333
Total remuneration	70,000	130,666

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.

5. Report on Opportunities and Risks

Firstextile AG is exposed to a variety of different risks which can result from 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. Risk management monitors the risks systematized in the framework of a risk management system. Risks are considered at the gross method.

Firstextile views on risks and opportunities from an integrated management perspective. By continuously monitoring developments in the relevant target markets, regulatory conditions and economic environment, the company is able to identify opportunities at an early stage. Current opportunities are the subject of regular meetings of the Management Board. It thoroughly evaluates any identified opportunities and makes decisions regarding possible investments based on the results of the evaluation. The management analyzes opportunities outside the risk management system.

5.1 Risk Management and internal 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 is 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 risks categories:

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

Risk Management 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 risk management 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.

5.2 Risks of the Company

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.

5.2.1. 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 high-end fabrics, men's shirts and uniforms is intense and might continue to increase and intensify in the future.

In its core business the Fabrics 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. Therefore Firstextile constantly improves its product quality, besides increasing its productivity and cost-efficiency. The company dedicates itself intensively to product and production-related research and development („R&D“). In order to maintain and even extend this competitive advantage Firstextile intends to keep its annual R&D expenses at around 3% of revenue.

In the Uniforms segment, the customers 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, 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 future, as the existing 25 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.

In the Branded Products 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 company's brand „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. Overall, Firstextile's management considers the company to be very well positioned within this competitive market environment for the future.

Ongoing anti-corruption actions by Chinese government

The Chinese government is committed to further continue the anti-corruption measures in 2015. State-owned enterprises and civil servants are subject to greater control with the aim to prevent nepotism and corruption. In the case of Firstextile this could have negative effects on the corporate gift business in the Branded Products segment. However, Firstextile is currently able to compensate a possible decrease in this business by a positive business development in the other segments.

Entry of new competitors

New competitors could enter the market at any time, outperforming Firstextile and exerting pressure on prices and margins. However, the management does not currently regard these risks as significant since in its opinion 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. Therefore the management does currently regard this risk as low.

The management regards the risk as a risk of the operating business, but believes that the company is well positioned due to the measures described to perform well in a highly competitive environment.

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. Therefore the management does currently regard this risk as low.

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 and expects to finish its capacity expansion plans in Q3 2015.

5.2.2. 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. Therefore the management does currently regard this risk as low.

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 that the new plant will begin operations in the third quarter 2015. 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. Therefore the management does currently regard this risk as low.

Capacity risk

Regarding the production capacity there could be the risk that Firstextile could not be able driving forward the company's growth if the new plant could not be finished in the middle of 2015. After-finishing the company plans to double capacity to 72 million meters, weaving capacity to 27 million meters and dyeing capacity to 15,800 tons. Most machineries have already been ordered successfully before the end of the first quarter of 2015. Therefore the management does currently regard this risk as low.

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 17 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. Therefore the management does currently regard this risk as low.

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, Firsttextile provides a safe working environment and continues to invest in and train its employees. Firsttextile 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. Therefore the management does currently regard this risk as low.

Risk of higher raw material prices

Raw material cost, especially cotton yarn, represents the major element of the cost of sale of Firsttextile. 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 Firsttextile 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. Therefore the management does currently regard this risk as low.

Risk of increasing labour costs

Even though labour costs in China increased the past years and are expected to further increase the upcoming years, the company's management regards this risk as very low since Firsttextile labour cost ratio in 2014 amounted to 0.9%. Due to the high degree of automation the management also expects no significant impact in future due to increasing labour costs.

Credit risks

The recoverability of accounts receivable may be impaired if counterparties or other fail to comply their payment. To control the credit risk arising from trade receivables, customer credit analysis are regularly carried out and prepayments to a large extent are required. The management assesses the risk of failure as low.

5.2.3. 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, and revocation of admission to list etc. In order to mitigate this risk the management has established a compliance risk management system within the company. Therefore the management does currently regard this risk as low.

5.2.4. Financial risks**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 currently does not believe Firsttextile 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. In July 2014, Firsttextile has secured a 100 million US dollar (approx. 73 million Euros) syndicated loan with an interest rate of USD 3-month LIBOR plus

*Excellent growth
opportunities identified*

4.25% for its wholly-owned subsidiary China Firsttextile (Holdings) Limited arranged by Nomura International (Hong Kong) Limited. Purpose of the loan is to fund corporate growth initiatives and associated capital expenditures and working capital in a long term.

According to the agreement the first due date is January 2016. The USD exchange rate risk and the LIBOR could significantly increase during the next years and therefore develop to detriment of the company. Therefore the company always pays attention to a sustainable financial structure and prevents potential financial burdens at an early stage.

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 Firsttextile are denominated mainly in RMB and are not influenced by the fluctuations in foreign exchange rates, except for certain transactions carried out by the German parent company, and the translation of the financial statements from RMB to EUR. Therefore, the management considers this risk to be low at present.

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. Due to the careful credit checks, the management considers the counterparty risk to be low at present.

5.3 Future Opportunities for further growth

Growth through expanding production capacity

Firsttextile intends to exploit the opportunities offered by the large market in China for high-end fabrics, uniforms and premium men shirts. Growth of Firsttextile is currently only limited by its production capacities which comprises approximately 36 million meters of fabric. In order to meet future demand the company will finish the new production plant in the middle of 2015 with the aim to double after-finishing capacity to 72 million meters, weaving capacity to 27 million meters and dyeing capacity to 15,800 tons. In addition the company will increasingly be able to leverage economies of scale and to reduce implementation risk by duplicating the current setup.

Growth in the Uniforms segment

Due to its strong R&D capability, Firsttextile believes that it is well positioned in the uniform market. Firsttextile 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. Uniforms require a combination of comfortable wearing experience, good quality and reasonable pricing, as well as innovations such as certain fabric functionalities. At the end of 2014, Firsttextile is a selected shortlisted supplier to 25 government institutions and state-owned enterprises. In the future, the company aims to leverage its status as pre-approved supplier with numerous large uniform purchasers in order to force segmental revenue sustainable. Besides the company wants to strengthen sales efforts and activities to the broaden customer base at the same time.

Sustainable growth through convincing product quality

Extensive R&D activities are a main driver of Firsttextile's success and a unique selling proposition within the market. Thus the company will further strengthen R&D team and laboratory equipment consequently in order to win additional market shares in all its three business segments Fabrics, Uniforms and Branded Products. Within its R&D activities, the company will especially focus on strengthening the development of functional fabrics, enhanced processes, high count products and green production.

5.4 Overall View of Opportunities and Risks

Firstextile's showed strong growth in the previous year is based on an overall stable and diversified business with its three strategic business segments Fabric, Uniforms and Branded Products. The business environment in all those segments is very positive. The company currently enjoys a positive brand and quality image, the capacity expansion plan is planned to be finished in the middle of 2015, 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 and exploit opportunities. All opportunities are of great importance for the further development of the company.

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, neither during the 2014 fiscal year, nor when this annual report was prepared.

6. Forecast Report

6.1 Outlook

Firstextile exceeded its guidance for the full year of 2014, originally set for revenues between EUR 190 million and EUR 210 million and an EBIT margin between 16% and 18%. Thanks to the strong performance of the Uniforms segment, Firstextile was able to over-compensate revenue decrease in the Branded Products segment. The company achieved total revenues of EUR 216.0 million and an EBIT margin of 19.1%. Although the development in the Branded Products segment was significantly below expectations, Firstextile successfully exploited the business opportunity offered by the Fabrics and Uniforms segment to enhance overall revenue with an EBIT at a high level in absolute terms.

China's macroeconomic environment will continue to be fairly healthy in 2015, with a GDP growth rate of around 7.0%. Even though the Chinese economy is slightly losing dynamic on a high level, the continuous urbanization and domestic consumption are likely to benefit the company in the long run. At the same time it should be recognized that the upturn of the China's economy is not yet on a solid footing. It remains to be seen, what effects the realignment of the economic policy of the Chinese government will have in the coming years. In any case difficulties must not be underestimated.

Firstextile expects that continuing the positive development of revenue and profit growth of 2014 in the current 2015 financial year is possible. No significant changes to Firstextile's financial or trading position have occurred between 31 December 2014 and the date of this report. The company will finish building up the new production facility in the middle of 2015 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 in the mid-term. Associated capital expenditure in plant and machinery is expected to lie between EUR 13 million and EUR 18 million in the current financial year of 2015. Furthermore Firstextile will concentrate on its core competence as one of the leading manufacturers of high-end yarn-dyed fabrics in the Chinese market and continue to leverage its status as pre-approved supplier with numerous government institutions and state-owned enterprises.

The planned capacity expansion will further 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 Fabrics segment, Firstextile expects the newly built-up facility will start to produce fabrics in the third quarter of 2015, which will already contribute to 2015 revenue. Accordingly the company expects a revenue level above the previous year, resulting in revenue between EUR 145 million and EUR 155 million and a gross margin between 25% and 27% in 2015. With the company's efforts to attain status as pre-approved supplier for government institutions and large state-owned enterprises gradually paying off and without unexpected delays in bulk orders, the Uniforms segment is expected to grow sustainably year-on-year. However, since the average bidding process takes longer today, such delays in bulk orders cannot be ruled out. After strong revenue growth in the Uniforms segment in 2014, consequently segment revenues are estimated totalling between EUR 50 million and EUR 60 million in the current financial year. The assumed gross margin for the Uniforms segment lies between 20% and 25%.

Considering the unfavorable market environment in the Branded Products segment, segmental revenue in 2015 is expected between EUR 18 million and EUR 22 million and a gross margin between 50% and 60%. As a consequence, the company expects total revenues between EUR 213 million and EUR 237 million. The EBIT margin of between 16% and 18% at Group level is expected slightly below 2014.

The outlook for 2015 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.

6.2 Forward-looking Statements

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.

7. 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, April 27, 2015

The Managing Board



Guofeng Yang
CEO



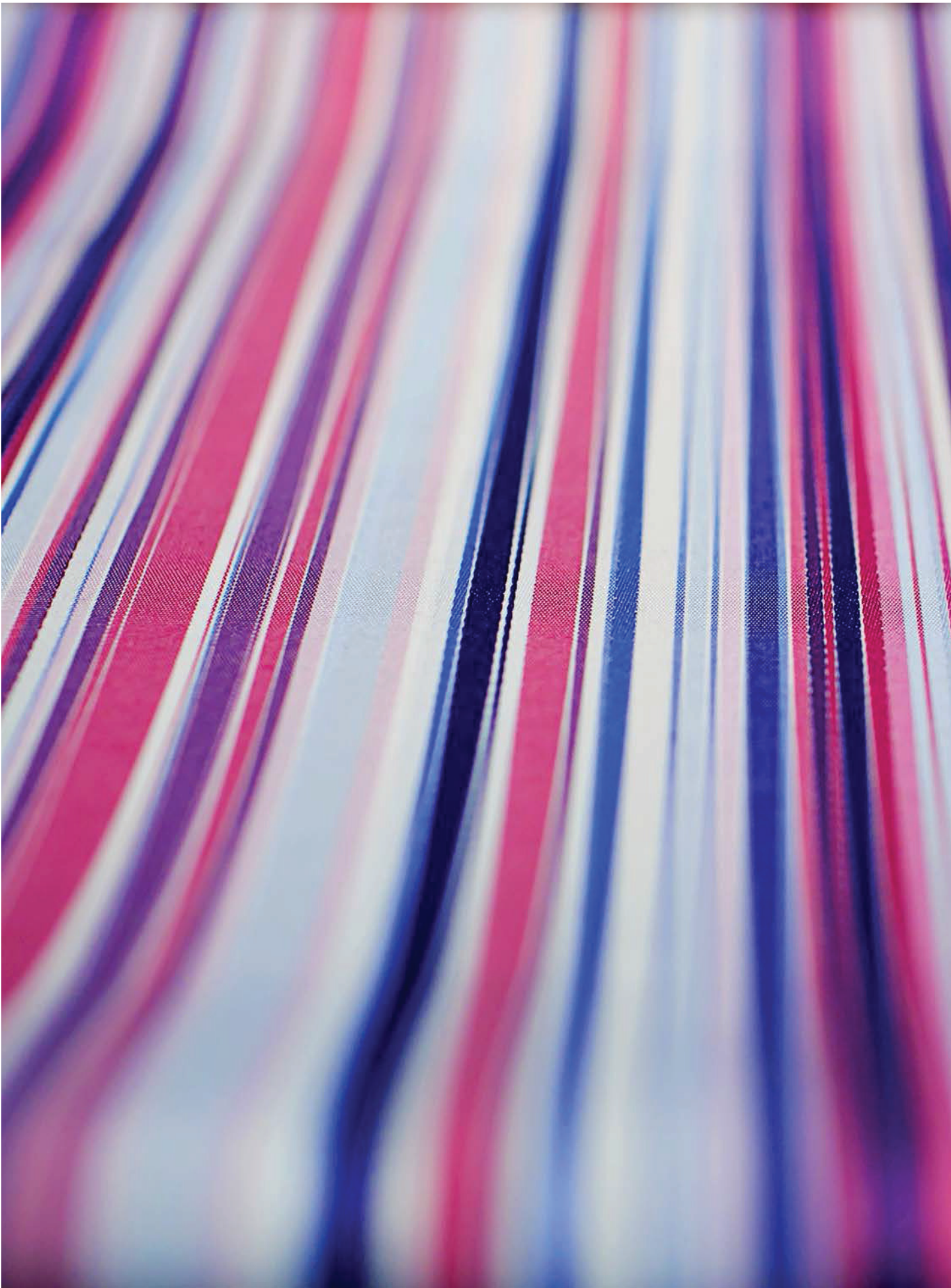
Hao Cao
CFO



Yingjun Fu
COO



Xinxin Wang
Executive Director





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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

kEUR	Note	31.12.2014	31.12.2013
ASSETS			
Non-current assets			
Property, plant and equipment	6	56,153	41,677
Land use rights	7	5,925	5,427
Other long-term assets	8	1,948	
Deferred tax assets	9	101	281
Total non-current assets		64,127	47,385
Current assets			
Inventories	10	14,297	12,488
Trade and other receivables	11	102,355	53,510
Cash and cash equivalents	12	120,154	71,951
Total current assets		236,806	137,949
TOTAL ASSETS		300,933	185,334
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	11,800	11,800
Reserves	14	158,341	114,443
TOTAL EQUITY		170,141	126,243
LIABILITIES			
Non-current liabilities			
Long-term loans	15	87,490	-
Total non-current liabilities		87,490	-
Current liabilities			
Short-term loans	15	9,156	30,669
Trade and other payables	16	25,778	24,446
Advances from a shareholder	17	2,887	-
Current tax liabilities	18	5,481	3,976
Total current liabilities		43,302	59,091
TOTAL LIABILITIES		130,792	59,091
TOTAL EQUITY AND LIABILITIES		300,933	185,334

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

kEUR	Note	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Revenue	19	215,972	200,294
Cost of sales	20	(150,041)	(135,537)
Gross profit		65,931	64,757
Other income	21	344	308
Distribution and selling expenses	22	(11,571)	(9,622)
Administrative and general expenses	23	(7,173)	(7,448)
Research and development expenses	24	(6,453)	(6,263)
Interest Income		303	213
Interest Expense		(3,391)	(1,751)
Other financial item		(1,507)	(104)
Net finance result	25	(4,595)	(1,642)
Profit before tax		36,483	40,090
Tax expense	26	(8,422)	(7,171)
Net profit for the financial year		28,061	32,919
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations (net of tax)		15,837	(2,198)
Total comprehensive income		43,898	30,721
Profit for the year attributable to owner of the parent		28,061	32,919
Total comprehensive income attributable to owner of the parent		43,898	30,721
Basic and diluted earnings per share (EUR)	27	2.38	2.79

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

kEUR	Non-distributable				Distributable	Total Equity
	Share Capital	Capital reserve	Consolidation reserve	Exchange translation Reserve	Retained earnings	
1 January 2013	11,800	8,129	13,059	5,369	57,165	95,522
Total comprehensive income	-	-	-	(2,198)	32,919	30,721
Transfer to statutory surplus reserve	-	-	3,456	-	(3,456)	-
31 December 2013	11,800	8,129	16,515	3,171	86,628	126,243
Total comprehensive income	-	-	-	15,837	28,061	43,898
Transfer to statutory surplus reserve	-	-	3,205	-	(3,205)	-
31 December 2014	11,800	8,129	19,720	19,008	111,484	170,141

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

kEUR	Note	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		36,483	40,090
Adjustments for:			
Other financial item relating to long-term loan		1,724	-
Interest expense	25	3,391	1,751
Interest income	25	(303)	(213)
Investment income	21	(10)	-
Depreciation of property, plant and equipment	6	3,996	3,420
Depreciation of land use rights	7	83	83
Operating cash flows before movements in working capital		45,364	45,131
(Increase) decrease in inventories		(622)	789
Increase in trade and other receivables		(39,327)	(7,810)
(Decrease) increase in trade and other payables		(2,416)	11,740
Cash generated by operations		2,999	49,850
Income taxes paid	18	(7,258)	(6,433)
Net cash flows (used in) generated by operating activities		(4,259)	43,417
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		303	213
Purchase of property, plant and Equipment	6	(13,344)	(17,754)
Purchase of land use right		-	(1,838)
Increase in other long-term assets	8	(1,794)	-
Net cash outflow on disposal of subsidiaries¹		(1,273)	-
Net cash used in investing activities		(16,108)	(19,379)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term loans		24,929	42,875
Repayment of short term loans		(47,780)	(41,160)
Proceeds from long-term loans		78,579	-
Advances from (+) / repayment (-) to a shareholder		4,113	(304)
Interest paid		(2,190)	(1,751)
Net cash (used in) generated from financing activities		57,651	(340)
Net increase in cash and cash equivalents		37,284	23,698
Cash and cash equivalents at the beginning of the financial year		71,951	49,509
Exchange gain (loss) on cash and cash equivalents		10,919	(1,256)
Cash and cash equivalents at the end of the financial year	12	120,154	71,951

¹ The net cash outflow on disposal of subsidiaries is the amount of cash and cash equivalents of Jiangsu Fanbai Men's Apparel Co., Ltd. on 26 December 2014.

Cash and cash equivalents represent cash and bank balances.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2014 AND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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 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, 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" or "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 Firstextile Hong Kong 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 13). 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, Firsttextile Hong Kong became the wholly-owned subsidiary of the Company. On 19 November 2012, Firsttextile 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.

Firsttextile 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 Firsttextile 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 Firsttextile 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 Firsttextile 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.

Till 26 December 2014, JFT held all shares of Jiangsu Fanbai Men's Apparel Co., Ltd., a limited company established under the laws of the PRC. JFB was sold on 26 December 2014.

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.

2. Basis of Preparation

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 27 April 2015.

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.

Pursuant to the equity transfer agreement dated on 26 December 2014 in connection with the resolutions of the management board and the supervisory board, JFT transferred its 100% equity interests in JFB to Mr. Yang successfully till 31 December 2014. The consideration of RMB11,900,000 was equivalent to the business valuation report executed by an independent Certified Public Accountants firm in PRC. Furthermore, on 31 December 2014, JFT confirmed the management of JFB about Mr. Yang's control on JFB. As a result, the JFT and the group lost their control as at 31 December 2014 and the JFB is not any more in the consolidation scope. The revenue of JFB in 2014 amounted to about kEUR 1,852 (in 2013: kEUR 2,763) and about the half of these was generated from intercompany. Regarding to the loss of control on JFB, the assets and liabilities of JFB have been derecognised from the consolidated statement of financial position as at 31 December 2014, whereas the JFB's comprehensive income of 2014 is consolidated. The net gain of kEUR 10 arisen from the JFB's disposal has also been consolidated (Note 21).

The comparability of the current year's consolidated financial statements to those of the prior year had not been affected.

Other subsidiaries of the Company are fully consolidated. In summary:

kEUR		Share directly	Equity	Results
HK	31 December 2014	100%	38,346	2,442
	31 December 2013	100%	32,225	4,720
JFT	31 December 2014	100%	180,430	32,790
	31 December 2013	100%	122,343	33,882
JFB	31 December 2014	0%	1,568	(454)
	31 December 2013	100%	1,861	673

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations, 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 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 preparation of consolidated financial statements requires the management 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

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. 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. If the group loses control of a subsidiary, the group derecognises the assets and liabilities of the former subsidiary from the consolidated statement of financial position and recognises the gain or loss associated with the loss of control attributable to the former controlling interest.

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 in accordance with IAS 1.54 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.

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.

3.2 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

A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period, foreign currency monetary items shall be translated using the closing Rate. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured.

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 (through other comprehensive income) as foreign currency translation reserve in the consolidated statements of financial position and recognised in the consolidated statements of comprehensive income as profit or loss on disposal of the subsidiary.

3.2.3 Presentation currency

The presentation currency of the Group is EUR. 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 2014	RMB 1.00 = EUR 0.1327	RMB 1.00 = EUR 0.1222
31 December 2013	RMB 1.00 = EUR 0.1198	RMB 1.00 = EUR 0.1225

The results 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 additional 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 and any accumulated impairment 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
Store decoration	3 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. An 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, which are presented separately, but classified as property, plant and equipment. 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 possible 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 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. The cost of inventories is measured using the average cost method.

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.

A financial asset and a financial liability should be offset and the net amount reported when, and only when, an entity has a legally enforceable right to set off the amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances: (i) the normal course of business; (ii) the event of default; and (iii) the event of insolvency or bankruptcy of the entity and all of the counterparties.

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 date the company only held financial assets in the category "loans and receivables" which are initially recognised at fair value and subsequently carried at amortised cost. All financial assets except those measured at fair value through profit or loss are subject to review for impairment.

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 provision for impairment.

Impairment provisions 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 a provision 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 on an individual basis due to the specific business relationship. 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 as profit or loss in the consolidated statements of comprehensive income.

Cash and cash equivalents

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

3.7.2 Financial liabilities

The Group classifies its financial liabilities into one of two classes: 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 as profit or loss in the consolidated statements of comprehensive income.

As at the reporting date, the Group's financial liabilities comprised trade and other payables as well as 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 under consideration of transaction costs that are directly attributable to the acquisition or issue. The costs that relate to borrowings but are not qualified as transaction costs are recognised as financial expenses. Borrowings are subsequently carried at amortised cost 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. An equity instrument is any contract that 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.

As far as cash outflow for a liability is expected only after more than one year, the provisions are recognized at the present value of the cash outflows.

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 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.

3.10 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.

3.11 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.

(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 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.

3.12 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 revenue

Interest revenue 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.

3.13 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.

3.14 Research and development

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

Development expenditures for an internally-generated intangible asset are 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 because the processes are to a large extent integrated and therefore has not recognized an internally-generated intangible asset.

3.15 Borrowing costs

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.

All other borrowing costs are expensed in profit and loss as incurred.

3.16 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.

3.17 Operating segments

The Group applies IFRS 8 to report on 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 IFRSs

4.1 New IFRSs adopted

The Group has adopted all EU IFRSs that were effective on or before 1 January 2014 for the preparation of the consolidated financial statements for the financial years ended 31 December 2014.

IFRS 10 Consolidated Financial Statements

IFRS 10 is issued to replace the requirements relating to the preparation of consolidated financial statements in IAS 27. IAS 27 shall be applied in accounting for investments in subsidiaries, joint ventures and associates to present separate financial statements in the future. The general principles of full consolidation in IAS 27 and for special purpose entities in SIC 12 are maintained in IFRS 10. In addition, IFRS 10 includes a uniform concept of control. A parent-subsidiary-relationship is determined according to three criteria, i.e. power over the investee, variability in returns and link between power and returns.

IFRS 11 Joint Arrangements

IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. It is issued to replace IAS 31 and SIC 13. Joint arrangements are now classified into two types - joint operations and joint ventures. "Jointly controlled assets" in IAS 31 is classified in IFRS 11 as joint operations.

Proportionate consolidation as an accounting treatment for an investment in jointly controlled entities according to IAS 31 is not allowed in IFRS 11. Instead, it is obligatory to account for investment in joint arrangements classified as joint ventures using equity method. Joint operations shall be proportionately consolidated in the consolidated financial statement as before.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 replaced the disclosure requirements in IAS 27, IAS 28, IAS 31 and SIC 12. It is a combined disclosure standard for interest in all types of other entities. IFRS 12 requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity, as well as the effects of those interests on its financial position, financial performance and cash flows.

IAS 27 Separate Financial Statements

As a consequence of the issuance of the new consolidation package (IFRS 10 and IFRS 11), a revised IAS 27 is issued to address accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

IAS 28 Investments in Associates and Joint Ventures

Because of the changes in the standards about the basis for consolidation, a revised IAS 28 is issued. IAS 28 sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The equity method is defined as a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee.

An associate is an entity over which the investor has significant influence. The existence of significant influence depends on, whether the investor has the power to participate in the financial and operating policy decisions of the investee.

Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets

As a consequential amendment to IFRS 13, some of the disclosure requirements in IAS 36 regarding measurement of the recoverable amount of impaired assets were modified. However, one of the amendments potentially resulted in the disclosure requirements being broader than originally intended. The recoverable amount of cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is to be disclosed regardless of the existence of an impairment loss. Through the new amendments, an entity is only required to disclose the recoverable amount of a cash-generating unit for which the entity has recognized or reversed an impairment loss during the reporting period.

In addition, the new amendments clarify and broaden the disclosure requirements for impaired individual assets, the recoverable amount of which is determined based on fair value less costs of disposal.

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting

The Objective of the amendments is to avoid the financial reporting effects that arise from discontinuing hedge accounting for hedging relationships in which a derivative designated as a hedging instrument is novated following the introduction of a new law or regulation. Through the amendments, a derivative designated as a hedging instrument is not expired or terminated and the hedging relationship is continuing, when novation of the derivative meets certain criteria.

Amendments to IFRS 10, IFRS 11 and IFRS 12 - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

The Amendments clarify the transition guidance in IFRS 10 and provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12. Furthermore, the amendments limit the requirement to provide adjusted comparative information to only the preceding comparative period.

Amendments to IFRS 10, IFRS 12 and IAS 27- Investment Entities

The amendments to IFRS 10, IFRS 12 and IAS 27 give the definition of an "investment entity". An investment entity is required to measure particular subsidiaries at fair value through profit or loss in its consolidated and separate financial statement. Furthermore, the amendments set out disclosure requirements for investment entities in IFRS 12 and the revised IAS 27.

Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities

The application guidance in IAS 32 was amended to clarify the accounting treatments relating to offsetting financial assets and financial liabilities in the balance sheet.

The offsetting model maintain unchanged. The amendments have only concretized the model. For the offsetting, an entity must currently have a legally enforceable right to set off the recognized amounts. It means, the right must not be contingent on a future event, and must be legally enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy.

4.2 New IFRSs and Interpretations not adopted

The Group has not applied the following new and revised EU-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 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IAS 19 Amendments	Employee Contributions
IFRIC 21	Levies
Annual Improvements to IFRSs 2011 - 2013 Cycle	
IFRS 1 Amendments	Meaning of effective IFRSs
IFRS 3 Amendments	Scope of exception for joint ventures
IFRS 13 Amendments	Scope of paragraph 52 (portfolio exception)
IAS 40 Amendments	Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property
Annual Improvements to IFRSs 2010 - 2012 Cycle	
IFRS 2 Amendments	Definition of "Vesting condition"
IFRS 3 Amendments	Accounting for contingent consideration in a business combination
IFRS 8 Amendments	Aggregation of operating segments Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13 Amendments	Short-term receivables and payables
IAS 16 Amendments	Revaluation method - proportionate restatement of accumulated depreciation
IAS 24 Amendments	Key management personnel
IAS 38 Amendments	Revaluation method - proportionate restatement of accumulated amortisation

The effects of the above described not yet effective standards on the consolidated financial standards were internally discussed. The standard will not have any material effect on the reported financial position, financial performance or cash flow of the Group for the financial years ended 31 December 2014.

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

kEUR	Buildings	Plant and machinery	Office equipment	Motor Vehicles	Store decoration	Construction-in-progress	Total
COST							
At 1 January 2013	18,890	19,933	1,215	446	-	-	40,484
Additions	-	3,318	1,974	76	173	12,243	17,784
Disposal	-	-	-	-	(97)	-	(97)
Translation adjustments	(280)	(368)	(61)	(8)	(2)	(270)	(989)
At 31 December 2013 and 1 January 2014	18,610	22,883	3,128	514	74	11,973	57,182
Additions	-	1,240	68	-	290	11,746	13,344
Disposal	-	-	(7)	-	(366)	-	(373)
Translation adjustments	2,004	2,571	342	55	2	2,299	7,273
At 31 December 2014	20,614	26,694	3,531	569	-	26,018	77,426
ACCUMULATED DEPRECIATION							
At 1 January 2013	3,880	7,438	898	224	-	-	12,440
Depreciation charge for the year	903	2,116	221	70	110	-	3,420
Disposal	-	-	-	-	(97)	-	(97)
Translation adjustments	(77)	(157)	(18)	(5)	(1)	-	(258)
At 31 December 2013 and 1 January 2014	4,706	9,397	1,101	289	12	-	15,505
Depreciation charge for the year	900	2,357	459	73	207	-	3,996
Disposal	-	-	(2)	-	(219)	-	(221)
Translation adjustments	583	1,214	158	38	-	-	1,993
At 31 December 2014	6,189	12,968	1,716	400	-	-	21,273
CARRYING AMOUNT							
At 31 December 2013	13,904	13,486	2,027	225	62	11,973	41,677
At 31 December 2014	14,425	13,726	1,815	169	-	26,018	56,153

The construction-in-progress refers to the new factory for the extension of manufacturing capacity.

7. Land use Rights

kEUR	2014	2013
Carrying amount		
At 1 January	5,427	3,767
Additions	-	1,838
Depreciation charge for the years	(83)	(83)
Translation adjustments	581	(95)
At 31 December	5,925	5,427
Cost	6,496	5,861
Accumulated depreciation	(571)	(434)
Carrying amount	5,925	5,427

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

(b) The land use right represents also property plant and equipment.

8. OTHER LONG TERM ASSETS

Other long term assets are the cash pledge of USD 2.4 million (kEUR 1,948 as at 31 December 2014) relating to a long term borrowing in Note 15. The pledge period ends on the date upon which all the obligations have been irrevocably and unconditionally paid and discharged in full. And the pledged cash is accrued interest.

9. DEFERRED TAX ASSETS

Deferred tax assets arise from the temporary difference between accounting and tax treatment with respect to government's grants and intercompany unrealised profits eliminated during group consolidation process. For further information, we refer to the Note 26.

10. Inventories

kEUR	31.12.2014	31.12.2013
At cost		
Raw materials	4,242	4,210
Work in progress	4,508	3,706
Finished goods	5,547	4,572
	14,297	12,488

A write-down of inventories in reporting period does not exist.

11. Trade and other Receivables

kEUR	31.12.2014	31.12.2013
Trade receivables	76,684	52,380
Other receivables	3,514	887
Total financial assets other than cash and cash equivalents classified as loans and receivables	80,198	53,267
Advance payments to suppliers	22,157	243
Total trade and other receivables	102,355	53,510

(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 from sixty (60) days to ninety (90) 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 31 to the financial statements.

(e) The ageing analysis of trade receivables:

kEUR	31.12.2014	31.12.2013
Within 60 days	34,769	34,038
61 - 90 days	27,729	18,054
91 - 180 days	13,291	288
More than 180 days	895	-
	76,684	52,380

As at 31 December 2014, trade receivables of kEUR14,186 of trade receivables had an age of more than 90 days, kEUR 13,270 of which, however, have been repaid in January 2015 (31 December 2013: kEUR288 with an age over 90 days).

An impairment of trade receivables does not exist in the reporting period and in the prior period.

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

kEUR	31.12.2014	31.12.2013
Renminbi	99,231	52,517
Euro	44	45
US Dollar	3,080	948
	102,355	53,510

12. Cash and Cash Equivalents

Cash and cash equivalents include the following components:

kEUR	31.12.2014	31.12.2013
Cash and bank balances	120,154	71,951
	120,154	71,951

a) Information on financial risk of cash and cash equivalents are disclosed in Note 31 to the consolidated financial statements.

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

kEUR	31.12.2014	31.12.2013
Renminbi	118,509	71,888
US Dollar	1,612	17
Euro	33	44
Hong Kong Dollar	-	2
	120,154	71,951

The USD amounts were translated to EUR at the rate of 0.8120 as at 31 December 2014.

13. 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.

14. 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 or capital reserves.
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.

15. Borrowings

kEUR	Note	31.12.2014	31.12.2013
Short-term loans	15(a)	9,156	30,669
Long-term loans			
from Nomura and a syndicate of banks	15(b)	80,070	-
from DEG	15(c)	7,420	-
		87,490	-

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

kEUR	31.12.2014	31.12.2013
Personally guaranteed by:		
Third party corporation	9,156	30,669

(b) On 13 July 2014, Firstextile Hong Kong entered into a loan facility agreement with Nomura International (Hong Kong) Ltd. ("Nomura") and a syndicate of banks at a principal amount of US\$100 million with an interest rate of US\$ 3-month LIBOR plus 4.25% ("Syndicate loan"). The purposes of the loan facility are to fund corporate growth initiatives and associated capital expenditures of the Group, to finance working capital and general corporate purposes of the Group as well as to improve the Group's financing structure by repaying some domestic short-term bank loans. With utilisation requests Firstextile Hong Kong has obtained the full loan of US\$100 million till 31 December 2014, which will be due in instalments over a period of 36 months. The first instalment will be due in January 2016.

Based upon the agreement Firstextile Hong Kong has paid an Upfront Fee of USD 1,715,000 and a Coordinating Arranger Fee of USD 2,292,500 before the utilisation. The latter has been recorded as financial expense (other financial item, we refer to Note 25) fully in 2014. The Upfront Fee as the qualified transaction cost has been considered in the initial fair value measurement of the loan and will be amortised through the effective interest method. The amortised cost of the loan as at 31 December 2014 amounted to kEUR 80,070.

(c) On 13 May 2014, JFT entered into a loan facility agreement with Deutsche Investitions und Entwicklungsgesellschaft MBH ("DEG") at a principal amount of EUR15 million with an interest rate of EUR 6-month LIBOR plus 4.8%. The purposes of the loan facility are to fund corporate growth initiatives and associated capital expenditures of the Group. On 29 December 2014, the first disbursement of EUR 7.5 million has been made, which should be repaid in instalments. The first instalment of EUR 1,250,000 will be due in November 2015 and the last is in May 2018.

(d) Information on financial risks of borrowings is disclosed in Note 31 to the consolidated financial statements.

(e) Borrowings are denominated in RMB, USD and EUR.

(f) In connection with the Syndicate loan, Firstextile Hong Kong has pledged USD 2.4 million (kEUR 1,948 as at 31 December 2014) as a security for the borrowing.

(g) The interest expenses from the effective interest method in 2014 were kEUR 1,806 (2013: kEUR 0).

(h) There exist different financial covenants (adherence to key financial figures) relating to the Syndicate loan. In continuing breach of these covenants, all or part of the loan, together with accrued interest, and all other amounts accrued or outstanding would become due and payable immediately. Furthermore, declaration or distribution of any dividends will be limited unless all financial covenants are complied. These financial covenants were adhered as at December 31, 2014.

16. Trade and other Payables

kEUR	31.12.2014	31.12.2013
Trade payables	12,833	17,278
Other payables	1,094	721
Total financial liabilities, excluding loans and borrowings, dividend payables, and advances from a shareholder classified as financial liabilities measured at amortised cost	13,927	17,999
Advance payments from customers	73	193
Value-added tax payable	693	796
Accrued expenses	11,085	5,458
Total trade and other payables	25,778	24,446

(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) Accrued expenses include accrued interest expenses, expense from annual and sales bonus and other production expenses.

(e) Information on financial risks of trade and other receivables are disclosed in Note 31 to the financial statements.

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

kEUR	31.12.2014	31.12.2013
Renminbi	24,166	24,194
Euro	689	252
USD	923	-
	25,778	24,446

17. Advances from a Shareholder

kEUR	31.12.2014	31.12.2013
Mr. Yang	2,887	-

In 2014, Mr. Yang provided a loan to Firsttextile Hong Kong, which was unsecured, non-interest bearing and repayable on demand. The loan amounted to kEUR 4,466 as at 31 December 2014.

The JFT's consideration receivable of RMB11,900,000 arisen from the disposal of JFB amounted to kEUR 1,579 as at 31 December 2014.

Based upon an offset agreement dated on 31 December 2014, these have been offset on 31 December 2014 and reported in a net amount.

18. Current Tax Liabilities

kEUR	31.12.2014	31.12.2013
Balance at beginning of the years	3,976	3,115
Current year provision (Note 26)	8,228	7,361
Income tax paid	(7,258)	(6,433)
Addition from disposal of JFB	22	-
Translation adjustments	513	(67)
Balance at end of the years	5,481	3,976

19. Revenue

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

kEUR	31.12.2014	31.12.2013
Revenue from sales of:		
Fabrics	137,735	136,550
Uniforms	58,231	33,433
Branded products	20,006	30,311
	215,972	200,294

20. 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	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Materials consumed	120,752	103,582
Direct labour costs	1,919	2,111
Utility costs	3,252	3,229
Production overheads	7,212	7,863
Cost of contract manufacturing	16,351	17,172
Movements in inventories - finished goods and work in progress	(816)	521
Tax surcharges	1,371	1,059
Cost of sales for the financial years	150,041	135,537

21. Other Income

The following table provides a breakdown of other income for the financial years:

kEUR	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Pattern grading fee	334	308
Other income	10	-
Other income for the financial years	344	308

Other income represents the net gain of JFB's disposal.

22. Distribution and Selling Expenses

The following table provides a breakdown of distribution and selling expenses for the financial years:

kEUR	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Commission charged by department stores	270	741
Advertising	1,036	986
Salaries	8,883	6,552
Entertainment	396	278
Transportation	406	503
Others	580	562
Distribution and selling expenses for the financial years	11,571	9,622

23. 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.

24. 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.

25. Net Finance Result

Recognised in profit or loss

kEUR	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Finance income		
Interest income on bank deposits	303	213
Total finance income	303	213
Finance expenses		
Interest expense on loans	3,391	1,751
Net foreign exchange (gain) loss	(217)	104
Other financial item	1,724	-
Total finance costs	4,898	1,855
Net finance costs recognised in profit or loss	4,595	1,642

Other financial item represents the Coordinating Arranger Fee relating to the long term syndicate loan.

26. Tax Expenses

kEUR	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Tax expense based on profit for the financial years		
Current tax	8,228	7,361
Deferred tax debit (credit)	194	(190)
Tax expenses	8,422	7,171

Tax expense for respective taxation authorities are calculated at the rates prevailing in these jurisdictions. During the financial years ended 31 December 2014, the applicable enterprise tax rate for the respective consolidated entities, unchanged compared to the last year, is as follows:

(I) Firstextile AG	31.9%
(II) Firstextile Hong Kong	16.5%
(III) JFT	15.0%
(IV) JFB	25.0%

In September 2010, JFT was awarded the status as a so-called "High and New Technology Enterprise" on a provincial level for a period of three years entitling it to a reduced income tax rate of 15% subject to the approval by the competent tax authority. In October 2013, JFT was awarded the status as a "High and New Technology Enterprise" on a national level for a period of three years. Therefore, JFT continues to benefit from a preferential tax treatment as a High and New Technology Enterprise upon the approval of relevant tax authority.

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	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Profit before tax	36,483	40,090
Tax at the domestic tax rates applicable to profits in the countries concerned	9,121	10,023
Tax effects in respect of:		
Non-allowable expenses	2,045	1,746
Unused tax losses not recognised as deferred tax assets	948	243
Withholding income tax on dividends	1,000	-
Tax incentives	(4,692)	(4,841)
Tax expense	8,422	7,171

The statutory tax rate of 25 % applicable for enterprises located in the PRC is the suitable tax rate for tax reconciliation, because the taxable activities of the Group take largely place in the PRC. Deferred tax assets have not been accounted for losses carried forward in the parent company and Firsttextile Hong Kong of EUR 14.4 million and 7.1 million respectively.

The deferred taxes relate to the following balance sheet positions and issues:

kEUR	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Land use rights	101	93
Inventories	-	188
	101	281

27. 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	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Profit for the financial year attributable to equity holders (kEUR)	28,061	32,919
Weighted average number of ordinary shares outstanding ('000)	11,800	11,800
Basic earnings per share (EUR)	2.38	2.79

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.

28. Employee Benefits

kEUR	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Wages and salaries	6,216	5,831
Social security contributions	851	703
	7,067	6,534

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

kEUR	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Salaries and allowances	293	279

The average number of people employed during the year is as follows:

	2014	2013
Management and administration	77	82
Sales, marketing and procurement	181	158
Research and development	39	40
Production and quality assurance	586	549
	883	829

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 2014 and 2013 amounted to kEUR524 and kEUR441 respectively

29. 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 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 branded products. 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. In 2014, the branded products business comprised the fabrication and sale of shirts sold under the brands Varpum and Firstextile, whereas the brand Varpum has been spun off within the disposal of JFB till 31 December 2014. Furthermore this segment contained branded products like suits, jackets, pants, sweaters, t-shirts, shoes and other accessories.

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	Branded products	Segment	Reconciliation	Group Total
Year ended 31 December 2014						
External revenue	137,735	58,231	20,006	215,972	-	215,972
Intersegment sales	1,689	-	-	1,689	(1,689)	-
Cost of sales	(101,711)	(41,662)	(8,357)	(151,730)	1,689	(150,041)
Gross profit	37,713	16,569	11,649	65,931	-	65,931
Reportable segment assets	118,640	44,367	6,284	169,291	-	169,291
Land use rights						5,925
Other long-term assets						1,948
Deferred tax assets						101
Other receivables						3,514
Cash and bank balances						120,154
Total group assets						300,933

kEUR	Fabrics	Uniforms	Branded products	Segment	Reconciliation	Group Total
Year ended 31 December 2013						
External revenue	136,550	33,433	30,311	200,294	-	200,294
Intersegment sales	3,128	-	-	3,128	(3,128)	-
Cost of sales	(101,635)	(26,413)	(10,617)	(138,665)	3,128	(135,537)
Gross profit	38,043	7,020	19,694	64,757	-	64,757
Reportable segment assets	93,057	2,332	11,399	106,788	-	106,788
Land use rights						5,427
Deferred tax assets						281
Other receivables						887
Cash and bank balances						71,951
Total group assets						185,334

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

kEUR	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Geographical analysis of revenue		
Domestic	209,245	195,745
Overseas (export directly)	6,727	4,549
	215,972	200,294

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.

30. 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
Guofeng Yang	CEO and shareholder of TECHCO International Ltd. which is the controlling party of Firsttextile AG
Yang GmbH & Co. KG	Controlling shareholder of the Company
Yang Verwaltungs GmbH	General partner of Yang GmbH & Co. KG
TECHCO International Ltd. (BVI)	Limited partner of Yang GmbH & Co. KG
Guohua Yang	Brother of Guofeng Yang and key management member of JFT
Dr. Yann Samson	Chairman of Supervisory Board
Marco Eberhard	Vice-chairman of Supervisory Board
Chao Yu	Member of Supervisory Board
Hao Cao	Chief Financing Officer
Yingjun Fu	Chief Operating Officer
Xinxin Wang	Executive Director

(b) In addition to the transactions detailed elsewhere in the condensed consolidated interim financial statements, the Group had the following transactions with related parties during the financial period:

kEUR	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Fee charge by Yang GmbH & Co. KG		
Rental and manpower service	84	28

kEUR	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Receivables from Yang GmbH & Co. KG	20	18
Payables to Yang GmbH & Co. KG	6	2

Receivables from Yang GmbH & Co. KG represent small operational expenses paid temporarily by the Group, which was unsecured, non-interest bearing and repayable on demand.

The transactions relating to the disposal of JFB and the loan from Mr. Yang are referred to Note 2 & Note 17.

(c) Compensation of key management personnel

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

kEUR	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Wages and salaries	657	613
Contributions to defined contribution plans	7	10
	664	623

The Management Board only receive fixed salaries without variable components.

31. 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.

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.

31.1 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 long-term borrowings denominated in US dollars. During the course of the period, the average balances held 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 2014. 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 2014	6,936	6,936
31 December 2013	(99)	(99)

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 2014	(6,936)	(6,936)
31 December 2013	99	99

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 minimize the interest rate cash flow risk exposures on financing. As at 31 December 2014, 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, as well as changes in market interest rates relating to the long term loans. 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 2014	(1,780)	(1,780)
31 December 2013	(627)	(627)

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 2014	1,780	1,780
31 December 2013	627	627

31.2 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 34 % (2013: 12%) 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 11 to the consolidated financial statements.

kEUR	31.12.2014		31.12.2013	
	Carrying value	Maximum exposure	Carrying value	Maximum exposure
Financial assets				
Cash and cash equivalents	120,154	120,154	71,951	71,951
Trade and other receivables	102,355	102,355	53,267	53,267
Total financial assets	222,509	222,509	125,218	125,218

31.3 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 2014, the Group's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

kEUR	Current		Non-current	
	Within 6 months	6 -12 months	1 to 5 years	Later than 5 years
Trade and other payables	13,927	-	-	-
Borrowings	11,356	2,581	91,141	1,950
Total	25,283	2,581	91,141	1,950

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 -12 months	1 to 5 years	Later than 5 years
Trade and other payables	17,999	-	-	-
Borrowings	23,423	7,972	-	-
Total	41,422	7,972	-	-

31.4 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	31.12.2014	31.12.2013
Borrowings	96,646	30,669
Cash and cash equivalents	(120,154)	(71,951)
Net debt	(23,508)	(41,282)
Net debt	(23,508)	(41,282)
Equity	170,141	126,243
Total net debt and equity	146,633	84,961

31. Remuneration Report

31.1 Compensation of Management Board members in 2012

In 2014, Mr. Guofeng Yang received a total compensation of EUR117,312 (2013: EUR102,900) for his services as CEO.

In 2014, Mr. Hao Cao received a total compensation of EUR 58,656 (2013: EUR58,800) for his services as CFO.

In 2014, Mr. Yingjun Fu received a total compensation of EUR 58,656 (2013: EUR58,800) for his services as COO.

In 2014, Ms. Xinxin Wang received a total compensation of EUR 58,656 (2013: EUR58,800) for her services as Executive Director.

In total the management board received EUR 293,280 for its services in 2014 (2013: EUR 279,300).

All members of the management board received a fixed compensation and no performance-based compensation for their services. The compensation did not include long-term incentive components.

31.2 Compensation of Supervisory Board members

Function	Fixed annual remuneration in EUR	Variable remuneration	Attendance fee for board meeting in EUR ¹
Chairman of the Supervisory Board	30,000	n/a	EUR 1,000.00 for every physical meeting, which is increased to EUR 2,000.00 for members of the supervisory board who are not resident in Asia if a physical meeting is held in Asia and for the members that are resident in Asia if a physical meeting is not held in Asia.
Deputy Chairman of the Supervisory Board	20,000	n/a	
Ordinary member of the Supervisory Board	20,000	n/a	

¹ The attendance fee applies only if more than four board meetings are held per fiscal year.

The members of the supervisory board received the following remuneration:

kEUR	2014	2013
Dr. Yann Samson (since 21 June 2013)	30,000	15,000
Marco Eberhard Pabst (since 21 June 2013)	20,000	10,000
Chao Yu	20,000	19,000
Philipp Elick (until 20 June 2013)	-	53,333
Prof. Edgar Rosenberger (until 20 June 2013)	-	33,333

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 2014. The following table shows the fees of BDO AG and BDO China recognised in the financial year:

kEUR	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Fees for audit services	179	198
thereof BDO China	79	98
Fees for other assurance services	34	60
thereof BDO China	-	-
Fees for other services	-	-
thereof BDO China	-	-
Total fees of the auditor	213	258

34. Capital Commitment

kEUR	31.12.2014	31.12.2013
Property, plant and equipment		
Contracted but not provided for	10,791	2,750

The capital commitment as at 31 December 2014 relates to the new machines in connection with the expansion of the production facilities.

35. Significant Events after the reporting Periods

There have been no events between 31 December 2014 and 27 April 2015, that would require an adjustment to the carrying amount of the assets and liabilities

The Management Board of Firstextile announced on 6 February 2015, with the Supervisory Board's consent, that the company makes use of the authorization granted by the Annual Shareholders' Meeting on June 20, 2013 in accordance with Section 71, Para 1, No. 8 AktG and to make a public buyback offer to buy back shares of the company. The buyback offer applies to up to 354,000 Firstextile Shares, which corresponds to up to 3 per cent of the Company's current share capital.

The offer price amounts to EUR 8.00 per share. According to the resolution of the annual general meeting, the repurchased shares may be used by the Company for any permitted purpose. The acceptance period has started on Tuesday, 10 February, 2015 and will end on Wednesday, 10 June, 2015 at 12:00 o'clock (CET).

All further offer details are set out in the offer document, are available on the website www.firstextile.de under the Investor Relations section as well as in the Electronic Federal Gazette of February 10, 2015.

36. 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 24 April 2015, and made it accessible to shareholders on the company's website at www.firstextile.de within the Investor Relations section.

Frankfurt am Main, April 27, 2015

The Managing Board



Guofeng Yang
CEO



Hao Cao
CFO



Yingjun Fu
COO



Xinxin Wang
Executive Director

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, April 27, 2015

The Managing Board



Guofeng Yang
CEO



Hao Cao
CFO



Yingjun Fu
COO



Xinxin Wang
Executive Director

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

“AUDITOR’S REPORT

We have audited the consolidated financial statements prepared by the Firstextile AG, Frankfurt am Main, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the 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, 2014 to December 31, 2014. 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 27, 2015

BDO AG

Wirtschaftsprüfungsgesellschaft

sgd. Dr. Zemke
Wirtschaftsprüfer
(German Public Auditor)

sgd. Glaser
Wirtschaftsprüfer
(German Public Auditor)

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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 44 to 50. 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.

