



宏太控股有限公司 Wang Tai Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1400

2014
Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. Lin Qingxiong (*Chairman*)
Mr. Qiu Zhiqiang
Mr. Deng Qinghui

Independent non-executive directors

Mr. Yu Yubin
Mr. Ma Chongqi
Mr. Chan Sui Wa

AUDIT COMMITTEE

Mr. Chan Sui Wa (*Chairman*)
Mr. Yu Yubin
Mr. Ma Chongqi

REMUNERATION COMMITTEE

Mr. Ma Chongqi (*Chairman*)
Mr. Chan Sui Wa
Mr. Yu Yubin

NOMINATION COMMITTEE

Mr. Yu Yubin (*Chairman*)
Mr. Ma Chongqi
Mr. Chan Sui Wa

REGULATORY COMPLIANCE COMMITTEE

Mr. Qiu Zhiqiang (*Chairman*)
Mr. Deng Qinghui
Mr. Siu Kai Chun

COMPANY SECRETARY

Mr. Siu Kai Chun

AUTHORISED REPRESENTATIVES

Mr. Qiu Zhiqiang
Mr. Siu Kai Chun

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

Rural Commercial Bank of Shishi
China Merchants Bank, Quanzhou Shishi Branch
Bank of Quanzhou
Wing Lung Bank
Bank of China (Hong Kong)
Xiamen International Bank

REGISTERED OFFICE

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

HEADQUARTERS IN CHINA

Wubao Science and Technology Park
Hongshan Town
Shishi City
Fujian
China

PLACE OF BUSINESS IN HONG KONG

Unit 02, 15th Floor
Convention Plaza Office Tower
1 Harbour Road
Wanchai
Hong Kong

Corporate Information (*Continued*)

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTER

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY'S WEBSITE

www.texitm.com

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1400

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The directors of Wang Tai Holdings Limited (the “Company”) are pleased to present the results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2014 to its shareholders. During the period under review, the Group’s revenue increased by 31.5% to approximately RMB419.8 million when compared to the corresponding period last year. The increase was mainly attributable to the growth in sales volume of fabrics arising from the commencement of operations of the first phase of the Hubei Production Facilities with the designed annual production capacity of fabrics of 23,449 km in June 2013. Profit attributable to the owners of the Company for the six months ended 30 June 2014 increased to approximately RMB37.0 million when compared to the corresponding period last year. Earnings per share also increased to RMB3.70 cents for the six months ended 30 June 2014 from RMB2.60 cents for the corresponding period last year.

The first half year of 2014 was a milestone for the Group. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 25 April 2014 with a global offering of 250,000,000 ordinary shares at the final offer price of HKD0.72 per share.

INDUSTRY REVIEW

Although the PRC textile market is highly competitive, the directors of the Company consider that our growth in the sales of fabric and yarns products in the first half year of 2014 was broadly in line with the growth in the PRC textile market as a whole. The sales increased to approximately 33.4 billion meters for our fabrics products and approximately 18.5 million tonnes for our yarns for the six months ended 30 June 2014 at growth rates of around 3% and 8.7%, respectively as compared with the comparable period in 2013 based on the information provided by China Cotton Textile Association.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The Group’s revenue increased from approximately RMB319.3 million for the six months ended 30 June 2013 to approximately RMB419.8 million for the six months ended 30 June 2014 was mainly due to robust demand for its fabric products of which the increase in the production volume following the establishment of a new manufacturing plant with around 23,449 km in the Hubei Production Facilities since June 2013.

Increase in cost of sales from approximately RMB266.0 million for the six months ended 30 June 2013 to approximately RMB336.8 million for the six months ended 30 June 2014 was mainly attributable to the increase in volume of fabrics sold and the commencement of new manufacturing plant in the Hubei Production Facilities since June 2013.

Management Discussion And Analysis (Continued)

The gross profit increased by 55.5% from approximately RMB53.3 million for the six months ended 30 June 2013 to approximately RMB82.9 million for the six months ended 30 June 2014 which was in line with increase in revenue and cost savings from economies of scale.

The gross profit margin also increased by 3.1 percentage points from around 16.7% to 19.8% which was mainly due to increase in production volume from full scale production in the first phase of Hubei Production Facilities for the Company to take advantage of economies of scale to enjoy lower unit and the overall cost of sales.

The Group's fabric products are classified into five series primarily according to their features. During the period under review, the Group only produced one type of yarns, namely the cotton yarns, which can be used as the raw materials for the production of our fabrics products. The following table sets forth a breakdown of the revenue and gross profit by product series in business segments for the periods indicated:

| | For the six months ended 30 June | | | | | |
|----------------------------|----------------------------------|---------------|--------------|----------------|---------------|--------------|
| | 2014 | | | 2013 | | |
| | Revenue | Gross Profit | Gross Profit | Revenue | Gross Profit | Gross Profit |
| RMB'000 | RMB'000 | Margin | RMB'000 | RMB'000 | Margin | |
| (Unaudited) | (Unaudited) | % | (Unaudited) | | % | |
| Continuing business | | | | | | |
| Fabrics | | | | | | |
| Interwoven fabric with | | | | | | |
| multi-fibres series | 295,557 | 61,285 | 20.7 | 216,025 | 38,056 | 17.6 |
| Slub series | 24,412 | 5,018 | 20.6 | 16,603 | 3,386 | 20.4 |
| Blended fabric series | 25,102 | 4,490 | 17.9 | 12,083 | 1,831 | 15.2 |
| Stretch fabric series | 14,988 | 3,272 | 21.8 | 10,250 | 1,987 | 19.4 |
| Pure cotton series | 11,737 | 2,465 | 21.0 | 7,242 | 1,095 | 15.1 |
| Sub-total | 371,796 | 76,530 | 20.6 | 262,203 | 46,355 | 17.7 |
| Yarns | | | | | | |
| Cotton yarns | 47,976 | 6,396 | 13.3 | 57,088 | 6,958 | 12.2 |
| Total | 419,772 | 82,926 | 19.8 | 319,291 | 53,313 | 16.7 |

Management Discussion And Analysis (*Continued*)

Increase in revenue from interwoven fabric with multi-fibres series from approximately RMB216.0 million for the six months ended 30 June 2013 to approximately RMB295.6 million for the six months ended 30 June 2014 was mainly due to the robust demand for the products following the increase in production from the first phase of the Hubei Production Facilities.

Increase in gross profit margin of interwoven fabric with multi-fibres series from 17.6% for the six months ended 30 June 2013 to 20.7% for the six months ended 30 June 2014 was mainly due to increase in the average unit selling price from RMB19.7 per meter to RMB20.2 per meter and enjoyment of lower unit cost by the economies of scale from full-scale production of Hubei Production Facilities.

Increase in revenue from slub series from approximately RMB16.6 million for the six months ended 30 June 2013 to RMB24.4 million for the six months ended 30 June 2014 was mainly due to the same reason as per interwoven fabric with multi-fibres series.

Gross profit margin of slub series increased slightly from 20.4% for the six months ended 30 June 2013 to 20.6% for the six months ended 30 June 2014 for the same factor of lower unit cost as with interwoven fabric with multi-fibres series.

Increase in revenue from blended fabric series from approximately RMB12.1 million for the six months ended 30 June 2013 to approximately RMB25.1 million for the six months ended 30 June 2014 was mainly due to increase in demand for the product from 651.08 km to 1,455.69 km.

Increase in gross profit margin of blended fabric series from 15.2% for the six months ended 30 June 2013 to 17.9% for the six months ended 30 June 2014 mainly due to the decrease rate of the average unit selling price is lower than the decrease rate of its average unit cost of sales.

Increase in revenue from stretch fabric series from approximately RMB10.3 million for the six months ended 30 June 2013 to approximately RMB15.0 million for the six months ended 30 June 2014 was mainly due to stronger demand for the product from 502.21 km to 728.20 km.

Management Discussion And Analysis (*Continued*)

Increase in gross profit margin of stretch fabric series from 19.4% for the six months ended 30 June 2013 to 21.8% for the six months ended 30 June 2014 was mainly due to increase in the average unit selling price from RMB20.4 per meter to RMB20.6 per meter and the same factor of lower unit cost with interwoven fabric with multi-fibres series.

Increase in revenue from pure cotton series from approximately RMB7.2 million for the six months ended 30 June 2013 to approximately RMB11.7 million for the six months ended 30 June 2014 was mainly due to the same reason as per interwoven fabric with multi-fibre series.

Increase in gross profit margin of pure cotton series from 15.1% for the six months ended 30 June 2013 to 21.0% for the six months ended 2014 was mainly due to the decrease rate of the average unit selling price is lower than the decrease rate of its average unit cost of sales.

Decrease in revenue from cotton yarns by 16.0% from approximately RMB57.1 million for the six months ended 30 June 2013 to approximately RMB48.0 million was mainly due to decrease in sales volume of cotton yarns from weaker demand for the cotton yarns during the period.

Increase in gross profit margin of yarns from 12.2% for the six months ended 30 June 2013 to 13.3% for the six months ended 30 June 2014 was mainly due to increase in the average unit selling price from RMB19,193 per tonne to RMB19,435 per tonne and enjoyment of lower cost of sales from the economies of scale.

Selling expenses

Selling expenses increased significantly by 137.0% from approximately RMB0.6 million for the six months ended 30 June 2013 to approximately RMB1.4 million for the six months ended 30 June 2014, which represented approximately 0.2% and 0.3%, respectively, of the revenue mainly due to increase in advertising and promotion expenses for participation in trade fairs and exhibitions in China during the period.

Administrative expenses

Administrative expenses increased by 33.7% from approximately RMB13.3 million for the period ended 30 June 2013 to approximately RMB17.8 million for the period ended 30 June 2014, which represented 4.2% and 4.2% of our revenue, respectively.

Management Discussion And Analysis (*Continued*)

Finance costs

The increase in finance costs was mainly because of the increase in the average balance of borrowings during the period under review.

Income tax expense

Although the effective tax rate decreased from 28.7% for the six months ended 30 June 2013 to 27.7% for the six months ended 30 June 2014, the income tax expense increased by approximately 35.8% which was a result of an increase in the taxable profit.

Profit for the period and attributable to the owners

As a result of the above factors, the profit attributable to the owners increased from approximately RMB26.0 million for the six months ended 30 June 2013 to approximately RMB37.0 million for the six months ended 30 June 2014.

FUTURE OUTLOOK

At present, the Group has two production facilities, namely, Shishi Production Facilities and Hubei Production Facilities. The Shishi Production Facilities commenced production in June 2006 and are used for production of fabrics with reed width of up to 1.9 metres and yarns while the Hubei Production Facilities is our new production facilities. The Hubei Production Facilities will be implemented in three phases and the first phase of which commenced operation in June 2013. The Hubei Production Facilities can be used for production of fabrics with reed width of up to 2.3 metres and yarns after the completion of the construction of the three phases.

The Group is currently conducting a feasibility study of the second phase of the Hubei Production Facilities.

Going forward, the Group will continue to focus on our two existing business segments, namely fabrics and yarns, through continuing the construction of the second and third phase of the Hubei Production Facilities. The Group will also actively carry out our sales and marketing activities through its sales and marketing department in Shishi and Hubei. The Group intends to establish the sales offices in Guangzhou and Changshu for promotion of its products in Guangdong and Jiangsu provinces.

Management Discussion And Analysis (Continued)

Liquidity and financial resources

As at 30 June 2014, the Group’s bank and cash balances (including restricted bank deposits) amounted to approximately RMB230.8 million (as at 31 December 2013: approximately RMB80.7 million). The increase was mainly due to the receipt of net proceeds from the global offering in the amount of approximately HKD163.0 million (equivalent to approximately RMB128.7 million) in April 2014.

As at 30 June 2014, the Group’s inventories increased by approximately RMB13.5 million to approximately RMB89.1 million (as at 31 December 2013: approximately RMB75.6 million), and trade and other receivables increased by approximately RMB104.5 million to approximately RMB271.7 million (as at 31 December 2013: approximately RMB167.2 million).

The working capital turnover days were as follows:

| | For the six months ended 30 June 2014 | For the year ended 31 December 2013 |
|--|--|--|
| Inventory turnover days ¹ | 48 days | 39 days |
| Trade and bills receivables turnover days ² | 45 days | 33 days |
| Trade payable turnover days ³ | 64 days | 69 days |

¹ Inventory turnover days is equal to the average of the opening and closing inventory balances divided by cost of sales for the period of 181 days for the six months ended 30 June 2014.

² Trade and bills receivables turnover days is equal to the average of the opening and closing trade and bills receivables balances divided by revenue for the period of 181 days for the six months ended 30 June 2014.

³ Trade payable turnover days is equal to the average of the opening and closing trade payable balances divided by cost of sales for the period of 181 days for the six months ended 30 June 2014.

Management Discussion And Analysis (Continued)

During the six months ended 30 June 2014, when compared to the corresponding period of last year, the increase in inventory turnover days was mainly due to increase in advance purchase of raw materials such as cotton and yarns. As at 30 June 2014, raw materials inventory amounted to approximately RMB55.8 million. Increase in trade and bills receivable days was mainly due to longer credit period provided to the customers. Trade payable turnover days were similar to the level in 2013. The trade and other payables decreased to approximately RMB233.4 million (as at 31 December 2013: approximately RMB256.8 million). The decrease was mainly a result of the payment for the purchase of property, plant and equipment.

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimize the cost of funds, the Group's treasury activities and centralised and cash and cash equivalents are generally deposited with financial institutions such as banks denominated mostly in Renminbi and Hong Kong dollars.

The Group's borrowings increased to approximately RMB365.2 million, mainly as a result of government loan of approximately RMB50.0 million from Hubei government and a long-term loan of approximately RMB50.0 million from a local bank (as at 31 December 2013: approximately RMB268.1 million). All the borrowings are denominated in Renminbi. The interest rates ranged from 3.0% to 14.4%. The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The Group does not hedge its cash flow and fair value interest rate risk.

The Group's financial ratios were as follows:

| | As at 30 June 2014 | As at 31 December 2013 |
|--------------------------------|-----------------------------------|------------------------------|
| Current ratio (%) ¹ | 150.0 | 75.6 |
| Gearing ratio (%) ² | 30.1 | 70.2 |

¹ Based on current assets to current liabilities

² Based on total borrowings net of cash and cash equivalents and restricted bank deposits over total equity

Improvement of current ratio and gearing ratio was mainly due to the receipt of net proceeds from the global offering in the amount of approximately HKD163.0 million (equivalent to approximately RMB128.7 million) in April 2014.

Management Discussion And Analysis (*Continued*)

Current position of net proceeds of global offering and its future uses are detailed as follows:

| Current position of net proceeds | RMB'million |
|---|--------------|
| Time deposit in a bank in the Mainland China | 83.2 |
| Share capital injection to Hongtai (China) Co., Ltd., a subsidiary of the Group | 33.6 |
| Working capital | 11.9 |
| Total | 128.7 |

The Company will continue to utilize the net proceeds from the global offering for the purpose consistent with those set out in section headed "Future Plans and Proceeds" of the prospectus of the Company dated 10 April 2014.

The Board will consider to revise the timeline for the construction of the second phase of the Hubei Production Facilities prior to June 2015 after assessing the latest net current asset position. The Group will make an announcement if there is any change of its expansion plan and investment amount as stated in the prospectus of the Company dated 10 April 2014.

Foreign exchange risk

The Group mainly operates in the PRC. Most of the Group's transactions, assets and liabilities are denominated in RMB and HKD, among which, significant amount of the sales revenue and certain costs are denominated in RMB, while certain assets and liabilities are denominated in HKD for the three investment holding companies registered in the overseas countries other than the PRC. Depreciation of RMB against HKD will be unfavourable to the Group. Foreign exchange risk arises from future recognized assets and liabilities, and net investments in foreign operations, if any. The Group manages its foreign exchange risks by performing regular reviews and monitoring its foreign exchange exposures. The Group did not use any financial instruments for hedging purposes.

Capital expenditure

For the six months ended 30 June 2014, the capital expenditure of the Group amounted to approximately RMB2.6 million (for the six months ended 30 June 2013: approximately RMB201.2 million).

Issuance of corporate bonds

As announced by the Company on 23 July 2014, the Company has entered a placing agreement with Fortune (HK) Securities Limited (the "Placing Agent") pursuant to which the Placing Agent has agreed to sell during the placing period on a best effort basis, the corporate bonds issued by the Company in the aggregate principal amount of up to HKD200,000,000. The principal purpose is to improve short-term liquidity position of the Group. As at the date of this report, the subscribed amount is approximately HKD5,000,000.

Management Discussion And Analysis (*Continued*)

Pledge of assets

As at 30 June 2014, the Group's land use rights and buildings, machinery and equipment with an aggregate net book value of approximately RMB198.7 million were pledged to secure banking facilities for purposes of working capital and purchase of fixed assets for the Group (as at 31 December 2013: approximately RMB139.4 million).

Human resources

As at 30 June 2014, the Group had a total of 824 employees (as at 31 December 2013: 898 employees), of whom 504 employees were based in the Shishi Production Facilities, 318 employees were based in the Hubei Production Facilities and 2 employees were based in its Hong Kong office. The Group is required to make contribution to the social insurance scheme and the housing provident funds for its employees in the PRC. The Group has also adopted a provident fund scheme as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for its employees in Hong Kong. The Group will continuously optimize the workforce structure and offer its employees with competitive remuneration schemes. The Group is committed to nurturing a learning and sharing culture in the organization. Heavy emphasis is placed on the training and development of individual employee and team building, as the Group's success depends on the contribution of our skilled and motivated employees in all functional divisions. A share option scheme (the "Share Option Scheme") was conditionally adopted by the Company on 27 March 2014 and the Share Option Scheme became effective on 25 April 2014. No share options have been granted by the Company pursuant to the Share Option Scheme during the six months ended 30 June 2014.

Contingent liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities.

Dividend

In view of the capital expenditure plan for the expansion of the Hubei Production Facilities, the Board has resolved not to declare any dividend for the six months ended 30 June 2014.

Purchase, sale and redemption of the listed securities of the Company

From the date of listing (the "Listing Date") of the Company on 25 April 2014 to 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Material acquisition and disposals of significant investments

The Group did not have any material investments or capital assets, or material acquisitions or disposals of subsidiaries or significant investment for the six months ended 30 June 2014.

ADDITIONAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2014, the interests and/or short positions of each director and chief executive and their respective associates of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by directors of Listed Companies contained in the Listing Rules, were as follows:

Interest in the Company

| Name of director | Capacity/ Nature of interest | Number of shares held in the Company | Approximate percentage of shareholding in the Company |
|-------------------|--------------------------------------|---|--|
| Mr. Lin Qingxiong | Interest of a controlled corporation | 267,000,000 shares (Note) (long position) | 26.43% |
| Mr. Qiu Zhiqiang | Beneficial owner | 135,000,000 shares (long position) | 13.36% |

Note:

These shares are held by Merit Lead Investments Limited, the entire issued share capital of which is owned by Mr. Lin Qingxiong.

Additional Information (Continued)

Interest in associated corporation(s)

| Name of director | Name of associated corporation | Capacity/ Nature of interest | Number of shares | Approximate percentage of shareholding in the associated corporation |
|-------------------|--------------------------------|---------------------------------|----------------------------|--|
| Mr. Lin Qingxiong | Merit Lead Investments Limited | Beneficial owner | One share of US\$1.00 each | 100% |

Save as disclosed above, as at 30 June 2014, none of the directors, the chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, so far as the directors are aware, the following persons (not being a director or a chief executive of the Company) had, or were deemed to have an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the Company's issued share capital:

| Name of shareholder | Capacity/ Nature of interest | Number of shares | Approximate percentage of shareholding in the Company |
|--|---------------------------------|--------------------|---|
| Merit Lead Investments Limited (Note 1) | Beneficial owner | 267,000,000 shares | 26.43% |
| Mr. Cai Jinxu | Beneficial owner | 112,500,000 shares | 11.13% |

Additional Information (Continued)

| Name of shareholder | Capacity/ Nature of interest | Number of shares | Approximate percentage of shareholding in the Company |
|--|--------------------------------------|-------------------|--|
| Hong Kong Investments Group Limited (Note 2) | Beneficial owner | 66,750,000 shares | 6.60% |
| Mr. Cheung Chi Mang | Interest of a controlled corporation | 66,750,000 shares | 6.60% |

Notes:

1. Merit Lead Investments Limited is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Lin Qingxiong.
2. Hong Kong Investments Group Limited is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Cheung Chi Mang. Accordingly, Mr. Cheung Chi Mang is deemed to be interested in the shares held by Hong Kong Investments Group Limited.

Save as disclosed above, other than the directors or chief executive of the Company, there were no other parties who had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2014.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 21 to the financial statements, and none of which constitutes a discloseable connected transaction as defined under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, from the Listing Date and up to the date of this report, the Company has maintained a sufficient public float of at least 25% of the Company's issued share capital as required under the Listing Rules.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 30 June 2014, none of the directors or any of their respective associates had engaged in any business that competed or may compete with the business of the Group, or had any other conflict of interests with the Group.

Additional Information (*Continued*)

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company acknowledges the important role of its Board in providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations.

In the opinion of the directors, the Company has complied with the applicable code provisions as set out in the Corporate Governance (the “CG”) Code contained in Appendix 14 to the Listing Rules since the Listing Date to 30 June 2014 save for code provision A.1.8.

Code provision A.1.8 of the CG Code stipulates that the Company should arrange appropriate insurance cover in respect of legal action against its directors. Currently, the Company does not have insurance cover for legal action against its directors. As newly listed on the Stock Exchange, the Company is in the process of arranging such appropriate insurance. The Board believes with the current internal control system and the close supervision of the management, the directors’ risk of being sued or getting involved in litigation in their capacity as directors is relatively low.

The Company will, from time to time, review and enhance its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the directors. After specific enquiry made by the Company, all of the directors confirmed that they had complied with the required standard set out in the Model Code since the Listing Date to 30 June 2014.

AUDIT COMMITTEE

The Company has established an audit committee which comprises three independent non-executive directors, namely, Mr. Chan Sui Wa, Mr. Yu Yubin and Mr. Ma Chongqi. Mr. Chan Sui Wa is the chairman of the audit committee. The terms of reference of the audit committee comply with the code provisions of the CG Code. The audit committee is responsible for reviewing and supervising the Group’s financial reporting process and internal control system and providing advice and recommendations to the Board.

Additional Information (*Continued*)

REMUNERATION COMMITTEE

The remuneration committee of the Board comprises three independent non-executive directors, namely, Mr. Chan Sui Wa, Mr. Yu Yubin and Mr. Ma Chongqi. Mr. Ma Chongqi is the chairman of the remuneration committee. The terms of reference of the remuneration committee comply with the code provisions of the CG Code. The remuneration committee is principally responsible for formulating the Group's policy and structure for all remuneration of the directors and senior management and providing advice and recommendations to the Board.

NOMINATION COMMITTEE

The nomination committee of the Board comprises three independent non-executive directors, namely, Mr. Chan Sui Wa, Mr. Yu Yubin and Mr. Ma Chongqi. Mr. Yu Yubin is the chairman of the nomination committee. The terms of reference of the nomination committee comply with the code provisions of the CG Code. The nomination committee is principally responsible for reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of independent non-executive directors, and making recommendations to the Board on the appointment and re-appointment of directors and succession planning for directors.

REGULATORY COMPLIANCE COMMITTEE

The regulatory compliance committee was established by the Company on 26 February 2014, which is led by Mr. Qiu Zhiqiang, the Executive director of the Company and consists of our senior management, Mr. Deng Qinghui, the Executive director and Mr. Siu Kai Chun, the Chief Financial Officer and Company Secretary. The committee directly reports to our Board and is primarily responsible for ensuring that our business operations and activities are in compliance with the relevant laws and regulations.

REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30 June 2014 have been reviewed by the audit committee of the Board, and by the auditors of the Company in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

By order of the Board
Wang Tai Holdings Limited
Lin Qingxiong
Chairman

Hong Kong, 15 August 2014

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE DIRECTORS OF WANG TAI HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 44, which comprises the condensed consolidated interim balance sheet of Wang Tai Holdings Limited and its subsidiaries (together, the "Group") as at 30 June 2014 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 15 August 2014

CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2014

| | Note | Unaudited 30 June 2014 RMB'000 | Audited 31 December 2013 RMB'000 |
|--|------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Leasehold land and land use rights | 7 | 25,731 | 24,690 |
| Property, plant and equipment | 7 | 456,130 | 477,469 |
| Deferred income tax assets | | 1,878 | 1,380 |
| | | 483,739 | 503,539 |
| Current assets | | | |
| Inventories | 8 | 89,128 | 75,647 |
| Trade and other receivables | 9 | 271,718 | 167,228 |
| Cash and cash equivalents | 10 | 135,253 | 47,922 |
| Restricted bank deposits | 10 | 95,569 | 32,799 |
| | | 591,668 | 323,596 |
| Total assets | | 1,075,407 | 827,135 |
| EQUITY | | | |
| Capital and reserve attributable to owners of the Company | | | |
| Share capital | 11 | 20,801 | 1 |
| Share premium | 11 | 121,277 | — |
| Other reserves | | 130,266 | 130,266 |
| Retained earnings | | 173,682 | 136,651 |
| Total equity | | 446,026 | 266,918 |

Consolidated Interim Balance Sheet (Continued)
As at 30 June 2014

| | Note | Unaudited 30 June 2014 RMB'000 | Audited 31 December 2013 RMB'000 |
|--|------|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 12 | 176,852 | 85,361 |
| Other payables | 14 | 40,530 | 29,875 |
| Deferred income | 13 | 17,628 | 16,945 |
| | | 235,010 | 132,181 |
| Current liabilities | | | |
| Borrowings | 12 | 188,372 | 182,727 |
| Trade and other payables | 14 | 192,898 | 226,877 |
| Current income tax liabilities | | 13,101 | 18,432 |
| | | 394,371 | 428,036 |
| Total liabilities | | 629,381 | 560,217 |
| Total equity and liabilities | | 1,075,407 | 827,135 |
| Net current assets/(liabilities) | | 197,297 | (104,440) |
| Total assets less current liabilities | | 681,036 | 399,099 |

The notes on pages 24 to 44 form an integral part of this consolidated interim financial information.

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

| | Note | Unaudited Six months ended 30 June | |
|---|------|---------------------------------------|-----------------|
| | | 2014 RMB'000 | 2013 RMB'000 |
| Revenue | 6 | 419,772 | 319,291 |
| Cost of sales | 15 | (336,846) | (265,978) |
| Gross profit | | 82,926 | 53,313 |
| Selling expenses | 15 | (1,415) | (597) |
| Administrative expenses | 15 | (17,836) | (13,336) |
| Other income — net | | 2,690 | 4,513 |
| Operating profit | | 66,365 | 43,893 |
| Finance income | | 687 | 667 |
| Finance costs | | (15,847) | (8,140) |
| Finance costs — net | 16 | (15,160) | (7,473) |
| Profit before income tax | | 51,205 | 36,420 |
| Income tax expense | 17 | (14,174) | (10,441) |
| Profit for the period and attributable to the owners | | 37,031 | 25,979 |
| Other comprehensive income | | — | — |
| Total comprehensive income and profit for the period, attributable to owners of the Company | | 37,031 | 25,979 |
| Earnings per share for profit attributable to the owners during the period (expressed in RMB cent per share) | | | |
| — basic and diluted | 18 | 3.70 | 2.60 |

The notes on pages 24 to 44 form an integral part of this consolidated interim financial information.

| | | Unaudited Six months ended 30 June | |
|------------------|----|---------------------------------------|-----------------|
| | | 2014 RMB'000 | 2013 RMB'000 |
| Dividends | 19 | — | — |

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

| | Unaudited Attributable to the shareholders | | | | |
|---|---|--|------------------------------|---------------------------------|------------------|
| | Share capital RMB'000 | Share premium account RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Total RMB'000 |
| Balance at 1 January 2013 | — | — | 113,382 | 70,527 | 183,909 |
| Total comprehensive income for the six months: | | | | | |
| — Profit for the period | — | — | — | 25,979 | 25,979 |
| Transactions with owners: | | | | | |
| — Issue of new shares | 1 | — | — | — | 1 |
| — Waiver of amounts due to owners | — | — | 8,034 | — | 8,034 |
| Total transactions with owners | 1 | — | 8,034 | — | 8,035 |
| Balance at 30 June 2013 | 1 | — | 121,416 | 96,506 | 217,923 |
| Balance at 1 January 2014 | 1 | — | 130,266 | 136,651 | 266,918 |
| Total comprehensive income for the six months: | | | | | |
| — Profit for the period | — | — | — | 37,031 | 37,031 |
| Transactions with owners: | | | | | |
| — Issue of new shares upon initial public offering | 20,800 | 121,277 | — | — | 142,077 |
| Balance at 30 June 2014 | 20,801 | 121,277 | 130,266 | 173,682 | 446,026 |

The notes on pages 24 to 44 form an integral part of this consolidated interim financial information.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

| | Note | Unaudited Six months ended 30 June | |
|---|------|---------------------------------------|-----------------|
| | | 2014 RMB'000 | 2013 RMB'000 |
| Cash flows from operating activities | | | |
| Cash (used in)/generated from operations | | (25,451) | 83,905 |
| Income tax paid | | (20,003) | (9,656) |
| Net cash (used in)/generated from operating activities | | (45,454) | 74,249 |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | 7 | (13,656) | (135,024) |
| Proceeds from disposal of property, plant and equipment | | — | 50 |
| Payment for leasehold land and land use rights | | (1,312) | — |
| Cash received for government grant | | 1,257 | — |
| Interest received | | 687 | 667 |
| Repayments of advances to third parties and shareholders | | — | 5,013 |
| Net cash used in investing activities | | (13,024) | (129,294) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 177,447 | 195,247 |
| Repayments of borrowings | | (82,938) | (125,937) |
| Net increase of restricted bank deposits | | (55,676) | (10,840) |
| Proceeds from borrowing from shareholders | | — | 45,170 |
| Repayments of borrowings from shareholders | | (7,867) | (45,129) |
| Net proceeds from initial public offering | | 128,748 | — |
| Interest and bank charges paid | | (13,905) | (5,984) |
| Net cash generated from financing activities | | 145,809 | 52,527 |
| Net increase/(decrease) in cash and cash equivalents | | 87,331 | (2,518) |
| Cash and cash equivalents at beginning of the period | | 47,922 | 7,278 |
| Cash and cash equivalents at end of the period | | 135,253 | 4,760 |

The notes on pages 24 to 44 form an integral part of these consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 April 2013 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is at Unit 02, 15th Floor, Convention Plaza Office Tower, 1 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the design, manufacturing and sales of fabrics and yarns in the People's Republic of China (the "PRC"). The Company successfully completed its initial public offering and its shares have been listed on The Stock Exchange of Hong Kong Limited since 25 April 2014.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 15 August 2014.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with International Accounting Standards (IAS) 34, 'Interim financial reporting'. The condensed consolidated financial information should be read in conjunction with the annual financial statements of the company for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Notes to the Condensed Consolidated Interim Financial Information (*Continued*)
For the six months ended 30 June 2014

3. ACCOUNTING POLICIES (*Continued*)

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014:

- Amendment to IAS 32 'Financial instruments: Presentation — on assets and liability offsetting'. It clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. It is not expected to have any significant impact on the Group's financial statements.
- Amendments to IFRS 10, 12 and IAS 27 'Consolidation for investment entities'. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make. It is not expected to have any significant impact on the Group's financial statements.
- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures. It addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. It is not expected to have any significant impact on the Group's financial statements.
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement'. It provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. It is not expected to have any significant impact on the Group's financial statements.
- IFRIC 21 'Levies'. It is an interpretation of IAS 37 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. It is not expected to have any significant impact on the Group's financial statements.

Notes to the Condensed Consolidated Interim Financial Information (*Continued*)
For the six months ended 30 June 2014

3. ACCOUNTING POLICIES (*Continued*)

(b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted by the Group:

- Amendment to IAS 19 regarding defined benefit plans, effective for annual periods beginning on or after 1 July 2014.
- IFRS 14 'Regulatory Deferral Accounts', effective for annual periods beginning on or after 1 January 2016.
- Amendment to IFRS 11 on accounting for acquisitions of interests in joint operation, effective for annual periods beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortisation, effective for annual periods beginning on or after 1 January 2016.
- IFRS 15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2017.
- IFRS 9 'Financial Instruments'.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

Notes to the Condensed Consolidated Interim Financial Information (*Continued*)
 For the six months ended 30 June 2014

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures requires in the annual financial statements, and shall be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

There have been no changes in the risk management policies of the Group since the year ended 31 December 2013.

5.2 Liquidity risk

Compared to the year end of 2013, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

As at 30 June 2014, the contractual borrowings of the Group's non-derivative financial liabilities were as follows.

| | Unaudited | | | |
|--|--------------------------|-------------------------|-------------------------|------------------|
| | Within 1 year RMB'000 | 1 to 2 years RMB'000 | 2 to 5 years RMB'000 | Total RMB'000 |
| As at 30 June 2014 | | | | |
| Borrowings — bank borrowings | 159,123 | 8,826 | 9,626 | 177,575 |
| Borrowings — other borrowings | 14,865 | 8,942 | 46,000 | 69,807 |
| Borrowings — loans from government | 15,000 | — | 100,000 | 115,000 |
| Borrowings — finance lease liabilities | 2,842 | — | — | 2,842 |
| Interests payable on borrowings | 5,745 | 1,184 | 6,460 | 13,389 |
| Trade and other payables | 155,017 | 7,015 | 33,515 | 195,547 |
| | 352,592 | 25,967 | 195,601 | 574,160 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)
For the six months ended 30 June 2014

5. FINANCIAL RISK MANAGEMENT (Continued)

5.2 Liquidity risk (Continued)

| | Audited | | | Total RMB'000 |
|---|--------------------------|-------------------------|-------------------------|------------------|
| | Within 1 year RMB'000 | 1 to 2 years RMB'000 | 2 to 5 years RMB'000 | |
| As at 31 December 2013 | | | | |
| Borrowings — bank borrowings | 153,680 | 8,452 | 14,135 | 176,267 |
| Borrowings — other borrowings | 21,548 | 11,086 | 2,753 | 35,387 |
| Borrowings — loans from government | 6,500 | 1,500 | 51,500 | 59,500 |
| Borrowings — finance lease liabilities | 5,883 | 1 | — | 5,884 |
| Interest payable on borrowings | 4,331 | 1,634 | 994 | 6,959 |
| Trade and other payables | 153,895 | 8,025 | 21,850 | 183,770 |
| | 345,837 | 30,698 | 91,232 | 467,767 |

6. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company. The directors review the Group's internal reporting in order to assess performance and allocate resources. The directors have determined the operating segments based on these reports. The directors consider the business and assess the performance on the basis of product lines, including (i) fabrics and (ii) cotton yarns.

The manufacturing and sales of fabrics has been the core business of the Group during the review period ended 30 June 2014.

No geographical segment information is presented as all the sales and operating profits of the Group are derived within the PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

Segment assets consist primarily of land use rights, property, plant and equipment, inventories, trade and other receivables and prepayments. They exclude deferred income tax assets, restricted bank deposits and cash and cash equivalents.

Segment liabilities comprise operating liabilities. They exclude borrowings from banks and other financial institutions, loans from government, current income tax liabilities and other payables due to related parties.

Notes to the Condensed Consolidated Interim Financial Information (Continued)
For the six months ended 30 June 2014

6. SEGMENT INFORMATION (Continued)

The segment information is set out below:

| | Unaudited | | |
|---|--------------------|------------------|------------------|
| | Fabrics RMB'000 | Yarns RMB'000 | Total RMB'000 |
| Six months ended 30 June 2014 | | | |
| <i>Segment results</i> | | | |
| Total segment revenue | 371,796 | 53,954 | 425,750 |
| Inter-segment revenue | — | (5,978) | (5,978) |
| Revenue from external customers | 371,796 | 47,976 | 419,772 |
| Segment profit | 76,556 | 6,370 | 82,926 |
| Other operating expenses | | | (19,251) |
| Other income — net | | | 2,690 |
| Finance costs — net | | | (15,160) |
| Profit before income tax | | | 51,205 |
| Income tax expense | | | (14,174) |
| Profit for the period | | | 37,031 |
| <i>Other segment items</i> | | | |
| Capital expenditure | 2,619 | — | 2,619 |
| Amortisation of leasehold land and land use right | 255 | 15 | 270 |
| Depreciation of property, plant and equipment | 15,172 | 6,873 | 22,045 |
| As at 30 June 2014 | | | |
| <i>Segment assets and liabilities</i> | | | |
| Segment assets | 688,364 | 154,342 | 842,706 |
| Unallocated assets | | | 232,701 |
| Total assets | | | 1,075,407 |
| Segment liabilities | 234,119 | 16,521 | 250,640 |
| Unallocated liabilities | | | 378,741 |
| Total liabilities | | | 629,381 |

Notes to the Condensed Consolidated Interim Financial Information (*Continued*)
 For the six months ended 30 June 2014

6. SEGMENT INFORMATION (*Continued*)

| | Fabrics RMB'000 | Unaudited Yarns RMB'000 | Total RMB'000 |
|---|--------------------|-------------------------------|------------------|
| Six months ended 30 June 2013 | | | |
| <i>Segment results</i> | | | |
| Total segment revenue | 262,203 | 66,717 | 328,920 |
| Inter-segment revenue | — | (9,629) | (9,629) |
| Revenue from external customers | 262,203 | 57,088 | 319,291 |
| Segment profit | 46,355 | 6,958 | 53,313 |
| Other operating expenses | | | (13,933) |
| Other income — net | | | 4,513 |
| Finance costs — net | | | (7,473) |
| Profit before income tax | | | 36,420 |
| Income tax expense | | | (10,441) |
| Profit for the period | | | 25,979 |
| <i>Other segment items</i> | | | |
| Capital expenditure | 196,896 | 4,259 | 201,155 |
| Amortisation of leasehold land and land use right | 251 | 15 | 266 |
| Depreciation of property, plant and equipment | 8,866 | 3,691 | 12,557 |
| As at 30 June 2013 | | | |
| <i>Segment assets and liabilities</i> | | | |
| Segment assets | 596,179 | 103,983 | 700,162 |
| Unallocated assets | | | 65,813 |
| Total assets | | | 765,975 |
| Segment liabilities | 303,567 | 54,237 | 357,804 |
| Unallocated liabilities | | | 190,248 |
| Total liabilities | | | 548,052 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)
For the six months ended 30 June 2014

7. PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND AND LAND USE RIGHTS

| | Property, plant and equipment RMB'000 (Unaudited) | Leasehold land and land use rights RMB'000 (Audited) |
|---|---|--|
| Six months ended 30 June 2014 | | |
| Net book amount as at 1 January 2014 | 477,469 | 24,690 |
| Additions | 1,308 | 1,311 |
| Disposal | (602) | — |
| Depreciation and amortisation | (22,045) | (270) |
| Net book amount as at 30 June 2014 | 456,130 | 25,731 |
| Six months ended 30 June 2013 | | |
| Net book amount as at 1 January 2013 | 302,995 | 25,221 |
| Additions | 201,155 | — |
| Disposal | (121) | — |
| Depreciation and amortisation | (12,557) | (266) |
| Net book amount as at 30 June 2013 | 491,472 | 24,955 |

As at 30 June 2014, the Group's land use rights and buildings, machinery and equipment with an aggregate net book value of approximately RMB198.7 million (as at 31 December: approximately RMB139.4 million) were pledged to secure banking facilities for purposes of working capital and purchase of fixed assets for the Group (Note 12).

Notes to the Condensed Consolidated Interim Financial Information (*Continued*)
 For the six months ended 30 June 2014

8. INVENTORIES

| | 30 June 2014 RMB'000 (Unaudited) | 31 December 2013 RMB'000 (Audited) |
|---------------------------------------|---|---|
| Raw materials and packaging materials | 56,037 | 38,298 |
| Work in progress | 18,407 | 19,887 |
| Finished goods | 14,684 | 17,462 |
| | 89,128 | 75,647 |

The cost of inventories recognised as expenses and included in cost of sales amounted to approximately RMB292,009,000 for the six months ended 30 June 2014 (2013: RMB236,611,000).

9. TRADE AND OTHER RECEIVABLES

| | 30 June 2014 RMB'000 (Unaudited) | 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| Trade receivables: | | |
| Trade receivables | 95,642 | 75,158 |
| Bills receivables | 35,030 | 29,930 |
| Total of trade receivables | 130,672 | 105,088 |
| Other receivables: | | |
| Prepayments for purchase of raw materials | 123,401 | 41,539 |
| Deductible value-added tax pending for validation | 15,492 | 18,898 |
| Prepaid professional fees in respect of the initial public offering | — | 1,234 |
| Others | 2,153 | 469 |
| Total of other receivables | 141,046 | 62,140 |
| Total of trade and other receivables | 271,718 | 167,228 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)
For the six months ended 30 June 2014

9. TRADE AND OTHER RECEIVABLES (Continued)

The Group has a large number of customers, mainly in Fujian province and nearby regions. There is no concentration of credit risk with respect to trade receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. Majority of the Group's sales are based on cash upon delivery and the remaining sales are made with credit terms. Major customers with good repayment history are normally offered credit terms of not more than three months.

The ageing analysis of trade and bills receivables as at the balance sheet dates based on invoice date was as follows:

| | 30 June 2014 RMB'000 (Unaudited) | 31 December 2013 RMB'000 (Audited) |
|-----------------|---|---|
| Within 3 months | 122,214 | 96,991 |
| 4 to 6 months | 7,515 | 8,095 |
| Over 6 months | 943 | 2 |
| | 130,672 | 105,088 |

10. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

| | 30 June 2014 RMB'000 (Unaudited) | 31 December 2013 RMB'000 (Audited) |
|----------------------------------|---|---|
| Cash and cash equivalents | | |
| Cash on hand and at banks | 135,253 | 47,922 |
| Restricted bank deposits | 95,569 | 32,799 |
| Total cash and bank balances | 230,822 | 80,721 |

The restricted bank deposits represented deposits pledged as security for issuing bank acceptance notes (bills payables) (Note 14).

Notes to the Condensed Consolidated Interim Financial Information (*Continued*)
 For the six months ended 30 June 2014

10. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

(Continued)

Cash and cash equivalents are denominated in the following currencies:

| | 30 June 2014 RMB'000 (Unaudited) | 31 December 2013 RMB'000 (Audited) |
|------|---|---|
| HK\$ | 313 | 105 |
| US\$ | — | 1 |
| RMB | 134,940 | 47,816 |
| | 135,253 | 47,922 |

All restricted bank deposits are denominated in RMB.

11. SHARE CAPITAL AND SHARE PREMIUM

| | 30 June 2014 | | 31 December 2013 | |
|---------------------------------|---|------------------|------------------------------------|----------|
| | Number of shares (thousands) | HK\$'000 | Number of shares (thousands) | HK\$'000 |
| Authorised: | | | | |
| Ordinary shares of HK\$0.1 each | 10,000,000 | 1,000,000 | 10,000 | 1,000 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)
For the six months ended 30 June 2014

11. SHARE CAPITAL AND SHARE PREMIUM (Continued)

Ordinary shares, issued and fully paid:

| | Number of shares (thousands) | Share capital HK\$'000 |
|---|------------------------------------|---------------------------|
| As at 1 January 2014 | 10 | 1 |
| Issue of ordinary shares upon the initial public offering | 260,000 | 26,000 |
| As at 30 June 2014 | 260,010 | 26,001 |
| As at 1 January 2013 | — | — |
| Issue of ordinary shares | 10,000 | 1 |
| As at 30 June 2013 | 10,000 | 1 |

On 25 April 2014, the Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited following the completion of its initial public offering of 260,000,000 ordinary shares at HKD0.72 per share to the investors. The proceeds of HKD26,000,000 (equivalent to approximately RMB20,280,000), representing par value of the ordinary shares, were credited to the Company's share capital account. The remaining proceeds of RMB121,277,000 (after deducting listing expenses RMB7,683,000 which are qualified to off set share premium) were credited to the Company's share premium account.

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*
 For the six months ended 30 June 2014

12. BORROWINGS

| | 30 June 2014 RMB'000 (Unaudited) | 31 December 2013 RMB'000 (Audited) |
|----------------------------|---|---|
| Non-current | | |
| Bank borrowings | 21,910 | 22,587 |
| Other borrowings | 54,942 | 12,773 |
| Loans from government | 100,000 | 50,000 |
| Finance lease liabilities | — | 1 |
| | 176,852 | 85,361 |
| Current | | |
| Bank borrowings | 155,665 | 153,680 |
| Other borrowings | 14,865 | 18,502 |
| Loans from government | 15,000 | 5,000 |
| Finance lease liabilities | 2,842 | 5,545 |
| | 188,372 | 182,727 |
| Total of borrowings | 365,224 | 268,088 |

The secured bank borrowings from banks and other financial institutions were secured by the Group's leasehold land and land use rights, property, plants and equipment and trade receivables with an aggregate net book value of approximately RMB198.7 million as at 30 June 2014 (as at 31 December 2013: approximately RMB139.4 million) (Note 7).

Interest expense on borrowings for the six months ended 30 June 2014 is RMB8,760,000 (30 June 2013: RMB7,582,000).

Notes to the Condensed Consolidated Interim Financial Information (Continued)
For the six months ended 30 June 2014

12. BORROWINGS (Continued)

The carrying amounts of the Group's borrowings from banks and other financial institutions approximated their fair value as at the balance sheet dates. The fair value of loans from government are as follows:

Loans from government

| Fair value | 30 June 2014 | 31 December 2013 |
|-------------|-----------------|---------------------|
| Non-current | 93,581 | 46,353 |
| Current | 14,698 | 4,768 |
| | 108,279 | 51,121 |

The carrying amounts of the Group's borrowings from banks and other financial institutions were denominated in RMB as at the balance sheet dates.

Movements in borrowings is analysed as follows:

| | RMB'000 Unaudited |
|---|----------------------|
| Six months ended 30 June 2013 | |
| Opening amount 1 January 2013 | 151,900 |
| Repayments of borrowings | (125,937) |
| Amortisations of financial lease and other borrowings | 2,156 |
| Proceeds from new borrowings | 195,247 |
| Closing amount as at 30 June 2013 | 223,366 |
| Six months ended 30 June 2014 | |
| Opening amount as at 1 January 2014 | 268,088 |
| Repayments of borrowings | (82,938) |
| Amortisations of financial lease and other borrowings | 2,627 |
| Proceeds from new borrowings | 177,447 |
| Closing amount as at 30 June 2014 | 365,224 |

Notes to the Condensed Consolidated Interim Financial Information (*Continued*)
For the six months ended 30 June 2014

12. BORROWINGS (*Continued*)

The carrying amounts of the Group's borrowings from banks and other financial institutions were denominated in RMB as at the balance sheet dates.

The Group has the following undrawn loan facilities as at the balance sheet date:

| | 30 June 2014 RMB'000 (Unaudited) | 31 December 2013 RMB'000 (Audited) |
|--|---|---|
| Borrowings from banks and other financial institutions | 95,601 | 115,371 |
| Loans from government: | — | 50,000 |
| | 95,601 | 165,371 |

13. DEFERRED INCOME

| | 30 June 2014 RMB'000 (Unaudited) | 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| Government grants relating to leasehold land and land use right | 17,628 | 14,411 |

The government grants were received from the PRC government as a subsidy to the Group's purchase of leasehold land. It is amortised to the profit or loss on a straight-line basis over the expected useful lives of the related assets.

The movements of the above government grant were as follows:

| | Six months ended 30 June | |
|----------------------------|---|--------------------------------|
| | 2014 RMB'000 (Unaudited) | 2013 RMB'000 (Unaudited) |
| At beginning of the period | 16,945 | 14,557 |
| Granted during the period | 1,257 | — |
| Amortised as income | (574) | (146) |
| At end of the period | 17,628 | 14,411 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)
For the six months ended 30 June 2014

14. TRADE AND OTHER PAYABLES

| | 30 June 2014 RMB'000 (Unaudited) | 31 December 2013 RMB'000 (Audited) |
|--|---|---|
| Non-current | | |
| Payables for purchase of property, plant and equipment | 40,530 | 29,875 |
| Current | | |
| Trade payables: | | |
| Trade payables | 27,549 | 40,200 |
| Bills payable | 99,938 | 70,498 |
| Total of trade payables | 127,487 | 110,698 |
| Other payables: | | |
| Advanced payments from customers | 30,332 | 54,944 |
| Amounts due to related parties (Note 21(b)) | 416 | 8,283 |
| Payables for purchase of property, plant and equipment | 15,639 | 27,967 |
| Other taxes payable | 9,873 | 8,785 |
| Accrued professional fees in respect of the initial public offering | — | 2,285 |
| Other payables | 9,151 | 13,915 |
| Total of other payables | 65,411 | 116,179 |
| Total of trade and other payables — current | 192,898 | 226,877 |
| Total of trade and other payables | 233,428 | 256,752 |

Notes to the Condensed Consolidated Interim Financial Information (*Continued*)
 For the six months ended 30 June 2014

14. TRADE AND OTHER PAYABLES (*Continued*)

At 30 June 2014, the ageing analysis of the trade and Bills payables were as follows:

| | 30 June 2014 RMB'000 (Unaudited) | 31 December 2013 RMB'000 (Audited) |
|-----------------|---|---|
| Within 3 months | 116,828 | 98,434 |
| 4 to 12 months | 9,604 | 12,174 |
| Over 12 months | 1,055 | 90 |
| | 127,487 | 110,698 |

15. EXPENSES BY NATURE

Expenses included in cost of sales, selling expenses and administrative expenses are analysed as follows:

| | Six months ended 30 June | |
|--|---|--------------------------------|
| | 2014 RMB'000 (Unaudited) | 2013 RMB'000 (Unaudited) |
| Cost of inventories (Note 8) | 292,009 | 236,611 |
| Employee benefit expenses | 12,426 | 10,249 |
| Amortisation of leasehold land and land use rights (Note 7) | 270 | 266 |
| Depreciation of property, plant and equipment (Note 7) | 22,045 | 12,557 |
| Miscellaneous tax charges other than VAT and income tax | 3,452 | 2,636 |
| Utility expenses | 13,337 | 9,111 |
| Professional fees in respect of the IPO exercise | 4,391 | 4,770 |
| Rental expense | 476 | 146 |
| Office and other expenses | 7,691 | 3,565 |
| | 356,097 | 279,911 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)
 For the six months ended 30 June 2014

16. FINANCE COST — NET

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2014 RMB'000 (Unaudited) | 2013 RMB'000 (Unaudited) |
| Finance income: | | |
| Interest income from bank deposits | (687) | (667) |
| Finance costs: | | |
| Interest expense from bank borrowings | 7,273 | 6,607 |
| Interest expense of finance leases and other borrowings | 1,941 | 2,156 |
| Less: capitalised interest expense (Note 7) | (454) | (1,181) |
| Net interest expense from borrowings | 8,760 | 7,582 |
| Bank charges | 7,087 | 558 |
| | 15,847 | 8,140 |
| Finance costs, net | 15,160 | 7,473 |

17. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---------------------|--------------------------------|--------------------------------|
| | 2014 RMB'000 (Unaudited) | 2013 RMB'000 (Unaudited) |
| Current income tax | 14,672 | 11,257 |
| Deferred income tax | (498) | (816) |
| | 14,174 | 10,441 |

Notes to the Condensed Consolidated Interim Financial Information (*Continued*)
 For the six months ended 30 June 2014

17. INCOME TAX EXPENSE (*Continued*)

The reconciliation between tax on the Group's profit before tax and the theoretical amount that would arise using the tax rate applicable to profits is as follows:

| | Six months ended 30 June | |
|--|---|--------------------------------|
| | 2014 RMB'000 (Unaudited) | 2013 RMB'000 (Unaudited) |
| Profit before income tax | 51,205 | 36,420 |
| Tax calculated at income tax rates applicable to profits in the respective periods (25%) | 12,801 | 9,105 |
| Expenses not deductible for tax purposes | 1,373 | 1,336 |
| Tax charges | 14,174 | 10,441 |
| Effective tax rate | 27.7% | 28.7% |

18. EARNINGS PER SHARE

| | Six months ended 30 June | |
|---|---|--------------------------------|
| | 2014 RMB'000 (Unaudited) | 2013 RMB'000 (Unaudited) |
| Profit attributable to the owners of the Company | 37,031 | 25,979 |
| Weighted average number of ordinary shares in issue (thousands) | 1,000,000 | 1,000,000 |
| Basic earnings per share (RMB cents per share) | 3.70 | 2.60 |

Notes to the Condensed Consolidated Interim Financial Information *(Continued)*
 For the six months ended 30 June 2014

18. EARNINGS PER SHARE *(Continued)*

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming the conversion of all dilutive potential ordinary shares.

The Company has no potential dilutive ordinary shares as at 30 June 2014, accordingly diluted earnings per share equal to basic earnings per share.

19. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2014 (2013: Nil).

20. COMMITMENTS

Operating lease commitments — the Group as lessee

The Group leases its office premises in Hong Kong under non-cancellable lease agreements. The Group's future aggregate minimum lease payments under these non-cancellable operating leases were as follows:

| | 30 June 2014 RMB'000 (Unaudited) | 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| No later than 1 year | 595 | 797 |
| Later than 1 year and no later than 5 years | — | 997 |
| | 595 | 1,794 |

21. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

Save as disclosed elsewhere in the financial information, the following is a summary of the significant transactions carried out between the Group and its related parties during the six months ended 30 June 2014 and balances as at the end of 30 June 2014.

Notes to the Condensed Consolidated Interim Financial Information (*Continued*)
 For the six months ended 30 June 2014

21. RELATED PARTY TRANSACTIONS (*Continued*)

(a) Related parties

The directors of the Company are of the view that the following individuals that had balances with the Group are related parties:

| Name | Relationship with the Group |
|------------------------------|---|
| Mr. Lin Qingxiong ("Mr Lin") | Major shareholder and chairman of the Company |
| Mr. Qiu Zhiqiang ("Mr Qiu") | Major shareholder and director of the Company |

(b) Related party balance

| | 30 June 2014 RMB'000 (Unaudited) | 31 December 2013 RMB'000 (Audited) |
|--|---|---|
| Amounts due to related parties included in trade and other payables | | |
| — Mr. Lin | — | 8,283 |
| — Mr. Qiu | 416 | — |
| | 416 | 8,283 |

The above balance is unsecured, interest free and repayable on demand.

(c) Key management compensation

| | Six months ended 30 June | |
|-------------------------------------|--------------------------------|--------------------------------|
| | 2014 RMB'000 (Unaudited) | 2013 RMB'000 (Unaudited) |
| Salary | 667 | 306 |
| Bonus | — | 29 |
| Pension costs | 29 | 18 |
| Medical, housing and other benefits | 9 | 8 |
| | 705 | 361 |