



# 宏太控股有限公司 Wang Tai Holdings Limited

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

Stock Code: 1400

Interim Report  
**2015**



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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

**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](http://www.texitm.com)

**STOCK CODE**

The Stock Exchange of Hong Kong Limited: 1400

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The board of directors (the “Board”) of Wang Tai Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) presents the results of the Group for the six months ended 30 June 2015 to the Company’s shareholders. During the period under review, the Group’s revenue decreased by 27.4% to approximately RMB304.9 million when compared to the corresponding period last year. The decrease was mainly attributable to decline in sales volume of fabrics and yarns arising from severe competition in the textile industry and decreasing demand of the customers in view of slow economic growth. Profit attributable to the owners of the Company for the six months ended 30 June 2015 decreased to approximately RMB6.9 million when compared to the corresponding period last year. Earnings per share also decreased to RMB0.66 cent for the six months ended 30 June 2015 from RMB4.43 cents for the corresponding period last year.

The Group has launched its overseas sales in August 2014 and there is no change in the Company’s expansion plan of the production facilities.

## INDUSTRY REVIEW

The PRC textile market is highly competitive which limits the growth of the selling prices of fabric and yarn products. Decline in the sales of fabric and yarns products in the first half year of 2015 was broadly in line with the decline in the PRC textile market as a whole. The sales decreased to approximately 33.4 billion meters for fabrics products and approximately 18.7 million tonnes for yarns respectively for the six months ended 30 June 2015 in the Mainland China based on the information provided by China Cotton Textile Association.

## FINANCIAL REVIEW

### Revenue, gross profit and gross profit margin

The Group’s revenue decreased from approximately RMB419.8 million for the six months ended 30 June 2014 to approximately RMB304.9 million for the six months ended 30 June 2015, which was mainly due to decreasing demand for the Group’s fabric and yarn products in light of the worsening of market conditions and business environment and severe competition of the industry as well as the slowdown in economic growth in China.

Decrease in cost of sales from approximately RMB336.8 million for the six months ended 30 June 2014 to approximately RMB271.2 million for the six months ended 30 June 2015 was mainly attributable to the decrease in volume of fabrics sold.

## MANAGEMENT DISCUSSION AND ANALYSIS

The gross profit decreased by 59.2% from approximately RMB82.9 million for the six months ended 30 June 2014 to approximately RMB33.8 million for the six months ended 30 June 2015 which was in line with decrease in revenue.

The gross profit margin also decreased by 8.7% from around 19.8% to 11.1% which was mainly due to decrease in the average selling prices of fabrics and yarns as a result of strong market competition.

The Group's fabric products are classified into five series primarily according to their features. During the period under review, the Group's only produced one type of yarns, namely the cotton yarns, which can be used as the raw materials for the production of the Group's 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					
	2015			2014		
	Revenue RMB'000 (Unaudited)	Gross Profit RMB'000 (Unaudited)	Gross Profit Margin %	Revenue RMB'000 (Unaudited)	Gross Profit RMB'000 (Unaudited)	Gross Profit Margin %
<b>Fabrics</b>						
Interwoven fabric with multi-fibres series	218,070	25,779	11.8	295,557	61,285	20.7
Slub series	19,198	1,340	7.0	24,412	5,018	20.6
Blended fabric series	13,255	1,167	8.8	25,102	4,490	17.9
Stretch fabric series	18,112	1,756	9.7	14,988	3,272	21.8
Pure cotton series	8,106	933	11.5	11,737	2,465	21.0
<b>Sub-total</b>	<b>276,741</b>	<b>30,975</b>	<b>11.2</b>	<b>371,796</b>	<b>76,530</b>	<b>20.6</b>
<b>Yarns</b>						
Cotton yarns	28,200	2,796	9.9	47,976	6,396	13.3
<b>Total</b>	<b>304,941</b>	<b>33,771</b>	<b>11.1</b>	<b>419,772</b>	<b>82,926</b>	<b>19.8</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

Decrease in revenue from interwoven fabric with multi-fibres series from approximately RMB295.6 million for the six months ended 30 June 2014 to approximately RMB218.1 million for the six months ended 30 June 2015 was mainly due to the decreasing demand for the products.

Decrease in gross profit margin of interwoven fabric with multi-fibres series from 20.7% for the six months ended 30 June 2014 to 11.8% for the six months ended 30 June 2015 was mainly due to decrease in the average unit selling price from RMB20.2 per meter to RMB14.7 per meter.

Decrease in revenue from slub series from approximately RMB24.4 million for the six months ended 30 June 2014 to RMB19.2 million for the six months ended 30 June 2015 was mainly due to the same reason as per interwoven fabric with multi-fibres series.

Gross profit margin of slub series decreased from 20.6% for the six months ended 30 June 2014 to 7.0% for the six months ended 30 June 2015 for the reason of decrease in its average selling price from RMB19.1 per meter to RMB16.8 per meter.

Decrease in revenue from blended fabric series from approximately RMB25.1 million for the six months ended 30 June 2014 to approximately RMB13.3 million for the six months ended 30 June 2015 was mainly due to decrease in demand for the product from 1,455.7 km to 718.9 km.

Decrease in gross profit margin of blended fabric series from 17.9% for the six months ended 30 June 2014 to 8.8% for the six months ended 30 June 2015 was mainly due to the decrease rate of the average unit selling price being higher than the decrease rate of the average unit cost of its sales.

Increase in revenue from stretch fabric series from approximately RMB15.0 million for the six months ended 30 June 2014 to approximately RMB18.1 million for the six months ended 30 June 2015 was mainly due to stronger demand for the product from 728.2 km to 1,455.5 km.

Decrease in gross profit margin of stretch fabric series from 21.8% for the six months ended 30 June 2014 to 9.7% for the six months ended 30 June 2015 was mainly due to decrease in the average unit selling price from RMB20.6 per meter to RMB12.4 per meter.

Decrease in revenue from pure cotton series from approximately RMB11.7 million for the six months ended 30 June 2014 to approximately RMB8.1 million for the six months ended 30 June 2015 was mainly due to the same reason as per interwoven fabric with multi-fibres series.

Decrease in gross profit margin of pure cotton series from 21.0% for the six months ended 30 June 2014 to 11.5% for the six months ended 30 June 2015 was mainly due to the decrease rate of the average unit selling price is higher than the decrease rate of the average unit cost of its sales.

Decrease in revenue from cotton yarns by 41.3% from approximately RMB48.0 million for the six months ended 30 June 2014 to approximately RMB28.2 million for the six months ended 30 June 2015 was mainly due to decrease in sales volume of cotton yarns from weaker demand for the cotton yarns during the period.

Decrease in gross profit margin of yarns from 19.8% for the six months ended 30 June 2014 to 11.1% for the six months ended 30 June 2015 was mainly due to decrease in the average unit selling price from RMB19,435 per tonne to RMB10,756 per tonne.

### **Selling expenses**

Selling expenses increased by 14.3% from approximately RMB1.4 million for the six months ended 30 June 2014 to approximately RMB1.6 million for the six months ended 30 June 2015, which represented approximately 0.3% and 0.5%, respectively, of the revenue for the corresponding period mainly due to increase in advertising and promotion expenses for participation in trade fairs and exhibitions in China during the six months ended 30 June 2015.

### **Administrative expenses**

Administrative expenses decreased by 14.0% from approximately RMB17.8 million for the six months period ended 30 June 2014 to approximately RMB15.3 million for the six months period ended 30 June 2015, which represented 4.2% and 5.0% of the Group's revenue during the corresponding period, respectively.

### **Finance costs**

The decrease in finance costs was mainly because of decrease in exchange difference of approximately RMB5.4 million during the period under review.

### **Income tax expense**

The income tax expense decreased from RMB14.2 million for the six months ended 30 June 2014 to RMB2.5 million for the six months ended 30 June 2015, mainly due to decrease in the taxable profit.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **Profit for the period and attributable to the owners**

As a result of the above factors, the profit attributable to the owners decreased from approximately RMB37.0 million for the six months ended 30 June 2014 to approximately RMB6.9 million for the six months ended 30 June 2015.

### **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 the Group's 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 carrying out construction of the second phase of the Hubei Production Facilities, which is expected to be completed by mid 2016.

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

### **Liquidity and financial resources**

As at 30 June 2015, the Group's bank and cash balances (including restricted bank deposits) amounted to approximately RMB257.9 million (as at 31 December 2014: approximately RMB194.3 million). The increase was mainly due to the receipt of proceeds from borrowings of approximately RMB225.6 million including the issue of corporate bonds of approximately RMB64.9 million during the period under review.

As at 30 June 2015, the Group's inventories increased by approximately RMB73.9 million to approximately RMB141.9 million (as at 31 December 2014: approximately RMB68.0 million), and trade and other receivables increased by approximately RMB38.7 million to approximately RMB278.4 million (as at 31 December 2014: approximately RMB239.7 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

Further to the announcement of the Company dated 27 May 2015, there is no further progress of negotiation with an independent third party in relation to a potential fund-raising transaction.

The working capital turnover days were as follows:

	<b>For the six months ended 30 June 2015</b>	For the year ended 31 December 2014
Inventory turnover days	<b>172 days</b>	48 days
Trade and notes receivables turnover days	<b>153 days</b>	45 days
Trade payable turnover days	<b>69 days</b>	64 days

- <sup>1</sup> 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 2015.
- <sup>2</sup> Trade and notes receivables turnover days is equal to the average of the opening and closing trade and notes receivables balances divided by revenue for the period of 181 days for the six months ended 30 June 2015.
- <sup>3</sup> 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 2015.

During the six months ended 30 June 2015, 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 2015, raw materials inventory amounted to approximately RMB107.2 million. Increase in trade and notes receivable turnover days was mainly due to longer credit period provided to the customers. Trade payable turnover days were similar to the level in 2014. The trade and other payables increased to approximately RMB154.2 million (as at 31 December 2014: approximately RMB151.1 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's borrowings increased to approximately RMB398.3 million, mainly as a result of issuance of corporate bonds (as at 31 December 2014: approximately RMB327.5 million). All the borrowings are denominated in Renminbi and Hong Kong Dollar. The interest rates ranged from 3.0% to 14.4%. The Group did not use any financial instruments for hedging purposes.

The Group's financial ratios were as follows:

	<b>As at 30 June 2015</b>	As at 31 December 2014
Current ratio (%) <sup>1</sup>	<b>236.3</b>	150.0
Gearing ratio (%) <sup>2</sup>	<b>22.9</b>	30.1

<sup>1</sup> Based on current assets to current liabilities

<sup>2</sup> Based on total borrowings net of cash and cash equivalents and restricted bank deposits over total equity

Improvement of current ratio was mainly due to the receipt of proceeds of borrowing whereas gearing ratio decreased mainly due to placement of 200,000,000 shares of the Company in May 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group received approximately RMB128.7 million net proceeds, after deducting underwriting fees and other related expenses, from the Company's global offering on 25 April 2014 (the "Global Offering"). As at 30 June 2015, these net proceeds were applied in the manner as stated in the prospectus of the Company dated 10 April 2014 (the "Prospectus") , as follows:

	Available		Net Proceeds	
	RMB' million	%	Utilised RMB' million	Unutilised RMB' million
For the construction and building of production facilities, purchase of machinery and equipment for the second phase of the Hubei Production Facilities	77.2	60	77.2	–
For sales and marketing activities, expanding the Group's sales network, establishing additional sales offices and recruiting additional sales and marketing staff	19.3	15	11.8	7.5
To enhance the Group's research and development capabilities, develop new products and enhance existing products testing and research equipment and further the Group's cooperation with accredited research institutions and universities	12.9	10	6.2	6.7
For promotion of the Group's brand recognition and brand value through establishing fabrics promotion centres and participating in trade shows and industry exhibitions and advertising in industry magazines	6.4	5	0.5	5.9
For working capital and other general corporate purposes	12.9	10	12.9	–
	128.7	100	108.6	20.1

## MANAGEMENT DISCUSSION AND ANALYSIS

The unutilised net proceeds have been deposited bank accounts in the PRC.

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.

### 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 of the three investment holding companies within the Group which are registered in the overseas countries other than the PRC are denominated in HKD. 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 2015, the capital expenditure of the Group amounted to approximately RMB36.8 million (for the six months ended 30 June 2014: approximately RMB1.3 million).

### Pledge of assets

As at 30 June 2015, the Group’s land use rights and buildings, machinery and equipment with an aggregate net book value of approximately RMB295.2 million were pledged to secure banking facilities for purposes of working capital and purchase of fixed assets for the Group (as at 31 December 2014: approximately RMB305.5 million).

### Significant events after the reporting period

There are no significant events after the reporting period.

### Human resources

As at 30 June 2015, the Group had a total of 907 employees (as at 31 December 2014: 824 employees), of whom 524 employees were based in the Shishi Production Facilities, 380 employees were based in the Hubei Production Facilities and three 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 the 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. 50,000,000 share options were granted on 12 December 2014 and up to the date of this report, 35,000,000 share options were exercised. No share options have been granted by the Company pursuant to the Share Option Scheme during the six months ended 30 June 2015.

### Contingent liabilities

As at 30 June 2015, the Group did not have any significant contingent liabilities.

### Dividend

The Board has resolved not to declare any dividend for the six months ended 30 June 2015.

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

For the period under review in 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## 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 2015, the interests and/or short positions of each director of the Company (the "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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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	272,000,000 shares (Note) (long position)	22.30%
	Beneficial owner	7,840,000 shares (long position)	0.64%
Mr. Qiu Zhiqiang	Beneficial owner	140,000,000 shares (long position)	11.48%

Note:

These shares are held by Merit Lead Investments Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Lin Qingxiong.

**Interest in associated corporation(s)**

<b>Name of director</b>	<b>Name of associated corporation</b>	<b>Capacity/ Nature of interest</b>	<b>Number of shares</b>	<b>Approximate percentage of shareholding in the associated corporation</b>
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 2015, 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 2015, 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:

<b>Name of shareholder</b>	<b>Capacity/ Nature of interest</b>	<b>Number of shares held in the Company</b>	<b>Approximate percentage of shareholding in the Company</b>
Merit Lead Investments Limited (Note)	Beneficial owner	272,000,000 shares (long position)	22.30%
Mr. Cai Jinxu	Beneficial owner	114,500,000 shares (long position)	9.39%

Note:

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.



## ADDITIONAL INFORMATION

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 2015.

### **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, as at 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 2015, none of the Directors or any of their respective associates of the Company 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.

## **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 the 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 Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the period under review 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 the Directors and the executive Directors consider such insurance is not necessary at this moment. 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 during the period under review.

## **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

### 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 and consists of Mr. Deng Qinghui, the executive Director and Mr. Siu Kai Chun, the Group's Chief Financial Officer and Company Secretary. The committee directly reports to the 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 2015 have been reviewed by the audit committee, and by the auditor 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, 13 August 2015

# 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 48, which comprises the condensed consolidated interim balance sheet of Wang Tai Holdings Limited and its subsidiaries (together, the "Group") as at 30 June 2015 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, 13 August 2015

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Unaudited Six months ended 30 June	
	Note	2015 RMB'000	2014 RMB'000
Revenue	6	304,941	419,772
Cost of sales	15	(271,170)	(336,846)
<b>Gross profit</b>		<b>33,771</b>	82,926
Selling expenses	15	(1,637)	(1,415)
Administrative expenses	15	(15,300)	(17,836)
Other income – net		2,869	2,690
<b>Operating profit</b>		<b>19,703</b>	66,365
Finance income		2,602	687
Finance costs		(12,964)	(15,847)
Finance costs – net	16	(10,362)	(15,160)
<b>Profit before income tax</b>		<b>9,341</b>	51,205
Income tax expense	17	(2,458)	(14,174)
<b>Profit for the period and attributable to the owners</b>		<b>6,883</b>	37,031
Other comprehensive income		–	–
<b>Total comprehensive income for the period and attributable to the owners</b>		<b>6,883</b>	37,031
<b>Earnings per share for profit for the period and attributable to the owners (expressed in RMB cent per share)</b>			
— Basic and diluted	18	0.66	4.43
Dividends	19	–	–

The notes on pages 26 to 48 form an integral part of these consolidated interim financial information.

# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2015

	Note	Unaudited As at 30 June 2015 RMB'000	Audited As at 31 December 2014 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land and land use rights	7	25,174	25,453
Property, plant and equipment	7	495,172	478,430
Deferred income tax assets		2,638	1,963
Available-for-sale financial assets		4,500	4,500
		<b>527,484</b>	510,346
<b>Current assets</b>			
Inventories	8	141,944	68,001
Trade and other receivables	9	278,356	239,670
Cash and bank balances	10	220,142	135,223
Restricted bank deposits	10	37,799	59,031
		<b>678,241</b>	501,925
<b>Total assets</b>		<b>1,205,725</b>	1,012,271
<b>EQUITY</b>			
<b>Capital and reserve attributable to owners of the Company</b>			
Share capital	11	96,763	80,215
Other reserves	11	314,614	204,588
Retained earnings		202,540	195,657
<b>Total equity</b>		<b>613,917</b>	480,460

# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2015

	Note	Unaudited As at 30 June 2015 RMB'000	Audited As at 31 December 2014 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	12	267,571	202,636
Other payables	14	11,907	14,130
Deferred income	13	25,341	26,590
		<b>304,819</b>	243,356
<b>Current liabilities</b>			
Borrowings	12	130,768	124,946
Trade and other payables	14	154,174	151,109
Current income tax liabilities		2,047	12,400
		<b>286,989</b>	288,455
<b>Total liabilities</b>		<b>591,808</b>	531,811
<b>Total equity and liabilities</b>		<b>1,205,725</b>	1,012,271
<b>Net current assets</b>		<b>391,252</b>	213,470
<b>Total assets less current liabilities</b>		<b>918,736</b>	723,816

The notes on pages 26 to 48 form an integral part of these consolidated interim financial information.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Unaudited Attributable to the shareholders			Total RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
<b>Balance at 1 January 2014</b>	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 ordinary shares upon initial public offering	20,800	121,277	—	142,077
— Issue of ordinary shares to original shareholders	59,414	(59,414)	—	—
<b>Balance at 30 June 2014</b>	80,215	192,129	173,682	446,026
<b>Balance at 1 January 2015</b>	<b>80,215</b>	<b>204,588</b>	<b>195,657</b>	<b>480,460</b>
Total comprehensive income for the six months				
— Profit for the period	—	—	6,883	6,883
Transactions with owners:				
— Issue of placing shares	15,760	103,107	—	118,867
— Shares issued for share-based compensation	788	6,919	—	7,707
<b>Balance at 30 June 2015</b>	<b>96,763</b>	<b>314,614</b>	<b>202,540</b>	<b>613,917</b>

The notes on pages 26 to 48 from an integral part of this consolidated interim financial information.



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Note	Unaudited Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
<b>Cash flows from operating activities</b>			
Cash used in operations		(69,871)	(25,451)
Income tax paid		(12,811)	(20,003)
Net cash used in operating activities		(82,682)	(45,454)
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	7	(40,327)	(13,656)
Payment for leasehold land and land use rights		–	(1,312)
Cash received for government grant		–	1,257
Interest received		2,602	687
Net cash used in investing activities		(37,725)	(13,024)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		225,583	177,447
Repayments of borrowings		(154,826)	(82,938)
Net decrease in restricted bank deposits and time deposits		(81,868)	(55,676)
Repayments of borrowings from shareholders		–	(7,867)
Net proceeds from initial public offering		–	128,748
Interest and bank charges paid		(13,237)	(13,905)
Proceeds from issuance of placing shares		118,867	–
Proceeds from shares issued for share-based compensation		7,707	–
Net cash generated from financing activities		102,226	145,809

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Note	Unaudited	
		Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(18,181)</b>	87,331
Cash and cash equivalents at beginning of the period		<b>135,223</b>	47,922
<b>Cash and cash equivalents at end of the period</b>		<b>117,042</b>	135,253

The notes on pages 26 to 48 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 2015*

## 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's 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 by the board of directors for issue on 13 August 2015.

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 2015 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 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### 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 2014, 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.

The following new amendments and interpretation of IFRSs are mandatory for the first time for the financial year ending 1 January 2015 and are relevant to the Group:

- Annual improvements 2012 include changes from the 2010–2012 cycle of the annual improvements project:

Amendment to IFRS2, 'Share-based payment' clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

Amendments to IFRS8, 'Operating segments' requires disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

Amendments to IAS 16 'Property, plant and equipment and IAS 38 'Intangible assets' clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

Amendment to IAS 24 'Related Party Disclosures' does not required the reporting entity to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but requires to disclose the amounts charged to the reporting entity by the management entity for services provided.

- Annual improvements 2013 include the following changes from the 2011–2013 cycle of the annual improvements project:

Amendment to IFRS 13 'Fair value measurement' clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

The Group assessed the adoption of these standards and concluded that it did not have a significant impact on the Group's results and financial position.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

### 3. Accounting Policies (continued)

The following new and amendments of IFRSs have been issued and are relevant to the Group's operations but they are not yet effective for the financial year beginning on 1 January 2015 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Annual improvements 2014	IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' IFRS 7 'Financial Instruments: Disclosure' IAS 19 'Employee Benefits' IAS 34 'Interim Financial Reporting'	1 July 2016
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
IAS 27 (Amendments)	Equity method in separate financial statements	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRS 9	Financial Instruments	1 January 2018

The Group will apply the new and amendments of IFRSs described above when they become effective. The Group is in the process of making an assessment on the impact of these new/ revised standards and amendments to standards and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

### 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 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 condensed consolidated interim financial information 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 2014.

There have been no changes in the risk management policies of the Group since year ended 31 December 2014.

### 5.2 Liquidity risk

Compared to the year end of 2014, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

As at 30 June 2015, the contractual borrowings of the Group's non-derivative financial liabilities were as follows.

	Unaudited				Total RMB'000
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	
<b>As at 30 June 2015</b>					
Borrowings (exclude finance lease liabilities)	130,768	117,221	124,713	25,637	398,339
Interest payable on borrowings and unsecured bond	26,682	30,876	20,590	5,384	83,532
Trade and other payables	115,767	11,907	–	–	127,674
	<b>273,217</b>	<b>160,004</b>	<b>145,303</b>	<b>31,021</b>	<b>609,545</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

### 5. Financial Risk Management (continued)

#### 5.2 Liquidity risk (continued)

	Audited				Total RMB'000
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	
<b>As at 31 December 2014</b>					
Borrowings (exclude finance lease liabilities)	129,276	24,457	147,048	26,800	327,581
Interest payable on borrowings and unsecured bond	4,953	3,963	13,433	2,818	25,167
Borrowings-finance lease liabilities	1	–	–	–	1
Trade and other payables	115,656	14,130	–	–	129,786
	249,886	42,550	160,481	29,618	482,535

### 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.

In 2014, no geographical segment information is presented as more than 90% of the sales and operating profits of the Group are derived within the PRC and substantially all the operating assets of the Group are located in the PRC. During the six months ended 30 June 2015, the operations are further evaluated on a geographic basis including Mainland China and Hong Kong.

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

For the six months ended 30 June 2015

## 6. Segment Information (continued)

The segment information is set out below:

	Unaudited		Yarns RMB'000	Total RMB'000
	Fabrics Mainland China RMB'000	Hong Kong RMB'000		
<b>Six months ended 30 June 2015</b>				
<i>Segment results</i>				
Total segment revenue	266,081	97,223	42,495	405,799
Inter-segment revenue	(86,563)	–	(14,295)	(100,858)
Revenue from external customers	179,518	97,223	28,200	304,941
Segment profit	22,327	8,648	2,796	33,771
Other operating expenses				(16,937)
Other income – net				2,869
Finance costs – net				(10,362)
Profit before income tax				9,341
Income tax expense				(2,458)
Profit for the period				6,883
<i>Other segment items</i>				
Capital expenditure	33,430	–	3,407	36,837
Amortisation of leasehold land and land use right	248	–	31	279
Depreciation of property, plant and equipment	16,817	–	2,078	18,895
<b>As at 30 June 2015</b>				
<i>Segment assets and liabilities</i>				
Segment assets	817,541	60,713	66,892	945,146
Unallocated liabilities				260,579
Total assets				1,205,725
Segment liabilities	163,386	–	28,036	191,422
Unallocated liabilities				400,386
Total liabilities				591,808



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

## 6. Segment Information (continued)

	Fabrics RMB'000	Unaudited Yarns RMB'000	Total RMB'000
<b>Six months ended 30 June 2014</b>			
<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	1,308	–	1,308
Amortisation of leasehold land and land use right	255	15	270
Depreciation of property, plant and equipment	15,172	6,873	22,045
<b>As at 30 June 2014</b>			
<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

For the six months ended 30 June 2015

## 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)
<b>Six months ended 30 June 2015</b>		
<b>Net book amount as at 1 January 2015</b>	<b>478,430</b>	<b>25,453</b>
Additions	36,837	–
Disposal	(827)	–
Depreciation and amortisation	(19,268)	(279)
<b>Net book amount as at 30 June 2015</b>	<b>495,172</b>	<b>25,174</b>
<b>Six months ended 30 June 2014</b>		
<b>Net book amount as at 1 January 2014</b>	477,469	24,690
Additions	1,308	1,311
Disposal	(602)	–
Depreciation and amortisation	(22,045)	(270)
<b>Net book amount as at 30 June 2014</b>	<b>456,130</b>	<b>25,731</b>

As at 30 June 2015, the Group's land use rights and buildings, machinery and equipment with an aggregate net book value of approximately RMB295.2 million (31 December: approximately RMB305.5 million) were pledged to secure banking facilities of the Group (Note 12).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

### 8. Inventories

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
Raw materials and packaging materials	<b>107,200</b>	19,596
Work in progress	<b>14,585</b>	15,978
Finished goods	<b>20,159</b>	32,427
	<b>141,944</b>	68,001

The cost of inventories recognised as expenses and included in cost of sales amounted to approximately RMB235,351,000 for the six months ended 30 June 2015 (2014: RMB292,009,000).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

## 9. Trade and Other Receivables

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
Trade receivables:		
Trade receivables	<b>161,734</b>	125,065
Bills receivables	–	24,400
<b>Total of trade receivables</b>	<b>161,734</b>	149,465
Other receivables:		
Prepayments for purchase of raw materials	<b>100,743</b>	80,963
Deductible value-added tax pending for validation	<b>9,470</b>	2,435
Others	<b>6,409</b>	6,807
<b>Total of other receivables</b>	<b>116,622</b>	90,205
<b>Total of trade and other receivables</b>	<b>278,356</b>	239,670

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 receivables mentioned above. The Group generally grants credit terms of less than 90 days to its customers in Mainland China and 120 days to its customers in other countries including Hong Kong and other overseas countries.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

### 9. Trade and Other Receivables (continued)

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 3 months	142,242	95,257
4 to 6 months	18,925	21,810
Over 6 months	567	32,398
	<b>161,734</b>	149,465

### 10. Cash and Bank Balances and Restricted Bank Deposits

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
<b>Cash and bank balances</b>		
– Cash on hand and at banks	117,042	35,223
– Time deposits	103,100	100,000
	<b>220,142</b>	135,223
<b>Restricted bank deposits</b>	<b>37,799</b>	59,031
	<b>257,941</b>	194,254

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

### 10. Cash and Bank Balances and Restricted Bank Deposits (continued)

Cash and cash equivalents are denominated in the following currencies:

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
HK\$	23,172	136
US\$	3,914	–
RMB	193,056	135,087
	<b>220,142</b>	135,223

All restricted bank deposits are denominated in RMB.

### 11. Share Capital and Other Reserve

	30 June 2015		31 December 2014	
	Number of shares (thousands)	HK\$'000	Number of shares (thousands)	HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.1 each	10,000,000	1,000,000	10,000,000	1,000,000

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

## 11. Share Capital and Other Reserve (continued)

Ordinary shares, issued and fully paid:

	Number of shares (thousands)	Share capital	
		HK\$'000	RMB'000
<b>As at 1 January 2015</b>	<b>1,010,000</b>	<b>101,000</b>	<b>80,215</b>
Issue of placing shares (i)	200,000	20,000	15,760
Proceeds from share issued for exercise of share option scheme (ii)	10,000	1,000	788
<b>As at 30 June 2015</b>	<b>1,220,000</b>	<b>122,000</b>	<b>96,763</b>
<b>As at 1 January 2014</b>	10	1	1
Issue of ordinary shares to original shareholders	749,990	74,999	59,414
Issue of ordinary shares upon initial public offering	260,000	26,000	20,800
<b>As at 30 June 2014</b>	<b>1,010,000</b>	<b>101,000</b>	<b>80,215</b>

- (i) On 19 May 2015, an aggregate of 200,000,000 placing shares have been successfully placed by the placing agent to the investors at a placing price of HK\$0.76 per placing share. The proceeds of HKD20,000,000 (equivalent to approximately RMB15,760,000), representing par value of the ordinary shares, were credited to the Company's share capital account. After deducting listing expenses, the remaining proceeds of HKD131,091,000 (equivalent to approximately RMB103,107,000), were credited to the Company's share premium account.
- (ii) During the six months ended 30 June 2015, 10,000,000 shares were issued pursuant to the exercise of share options granted in 2014. The proceeds of HKD1,000,000 (equivalent to approximately RMB788,000), representing par value of the ordinary shares, were credited to the Company's share capital account. The remaining proceeds of HKD8,780,000 (equivalent to approximately RMB6,919,000), were credited to the Company's share premium account. The related weighted average price at the time of exercise was HKD2.28 per share.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

## 12. Borrowings

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
<b>Non-current</b>		
Bank borrowings	<b>117,220</b>	126,078
Other borrowings	–	2,680
Loans from government	–	46,144
Bond – unsecured	<b>150,351</b>	27,734
	<b>267,571</b>	202,636
<b>Current</b>		
Short term bank borrowings	<b>107,000</b>	101,400
Bank borrowings-current portion	<b>16,826</b>	13,452
Other borrowings	<b>6,942</b>	10,093
Finance lease liabilities	–	1
	<b>130,768</b>	124,946
Total of borrowings	<b>398,339</b>	327,582

In 2014, the Company issued HKD35,000,000 (equivalent to RMB27,734,000) bonds, due in 2021. The Bonds are unsecured and carry a nominal interest at a rate of 7% per annum, with the interest being payable annually. In 2015, the Group issued further HKD171,900,000 (equivalent to RMB122,771,000) bonds, due date between 2018 and 2022. The bonds were unsecured and carry a nominal interest at a rate of 7% per annum, with the interest being payable semi-annually.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

### 12. Borrowings (continued)

The secured bank borrowings from banks amount in RMB178 million (31 December 2014: RMB217.9 million) were secured by the Group's leasehold land and land use rights and property, plants and equipment with an aggregate net book value of approximately RMB295.2 million as at 30 June 2015 (31 December 2014: approximately RMB305.5 million) (Note 7).

Interest expense on borrowings for the six months ended 30 June 2015 is RMB11,273,000 (2014: RMB8,760,000).

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 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:

	<b>RMB'000</b> <b>(Unaudited)</b>
<hr/>	
<b>Six months ended 30 June 2014</b>	
Opening amount 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
<hr/>	
<b>Closing amount as at 30 June 2014</b>	<b>365,224</b>
<hr/>	
<b>Six months ended 30 June 2015</b>	
Opening amount as at 1 January 2015	<b>327,582</b>
Repayments of borrowings	<b>(154,826)</b>
Proceeds from new borrowings	<b>225,583</b>
<hr/>	
<b>Closing amount as at 30 June 2015</b>	<b>398,339</b>
<hr/>	

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

### 12. Borrowings (continued)

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

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
– Expiring within one year	9,373	12,001
– Expiring beyond one year	94,500	101,624
	<b>103,873</b>	113,625

### 13. Deferred Income

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
Government grants relating to leasehold land and land use right	22,068	22,225
Government grants relating to plant and equipment	3,273	4,365
	<b>25,341</b>	26,590

The government grants were received from the PRC government as a subsidy to the Group's purchase of leasehold land and equipment. 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:

	<b>Six months ended 30 June</b>	
	<b>2015 RMB'000 (Unaudited)</b>	2014 RMB'000 (Unaudited)
At beginning of the period	26,590	16,945
Granted during the period	–	1,257
Amortised as income	(1,249)	(574)
At end of the period	<b>25,341</b>	17,628

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

## 14. Trade and Other Payables

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
<b>Non-current</b>		
Payables for purchase of property, plant and equipment	<b>11,907</b>	14,130
<b>Current</b>		
Trade payables:		
Trade payables	<b>39,032</b>	30,845
Bills payables	<b>61,998</b>	75,578
Total of trade payables	<b>101,030</b>	106,423
Other payables:		
Advanced payments from customers	<b>4,127</b>	16,383
Salary and welfare payables	<b>10,003</b>	9,857
Payables for purchase of property, plant and equipment	<b>7,414</b>	8,681
Other taxes payables	<b>11,469</b>	9,213
Other payables	<b>20,131</b>	552
Total of other payables	<b>53,144</b>	44,686
Total of trade and other payables – current	<b>154,174</b>	151,109
Total of trade and other payables	<b>166,081</b>	165,239

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

### 14. Trade and Other Payables (continued)

At 30 June 2015, the ageing analysis of the trade and bills payables were as follows:

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
Within 3 months	<b>86,870</b>	91,852
4 to 12 months	<b>12,145</b>	11,063
Over 12 months	<b>2,015</b>	3,508
	<b>101,030</b>	106,423

### 15. Expenses by Nature

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

	<b>Six months ended 30 June</b>	
	<b>2015 RMB'000 (Unaudited)</b>	2014 RMB'000 (Unaudited)
Cost of inventories (Note 8)	<b>235,351</b>	292,009
Employee benefit expenses	<b>12,054</b>	12,426
Amortisation of leasehold land and land use rights (Note 7)	<b>279</b>	270
Depreciation of property, plant and equipment (Note 7)	<b>19,268</b>	22,045
Miscellaneous tax charges other than VAT and income tax	<b>2,049</b>	3,452
Utility expenses	<b>12,926</b>	13,337
Professional fees in respect of the IPO exercise	<b>–</b>	4,391
Rental expense	<b>482</b>	476
Office and other expenses	<b>5,698</b>	7,691
	<b>288,107</b>	356,097

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

### 16. Finance Cost – Net

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Finance income:		
Interest income from bank deposits	(2,602)	(687)
Finance costs:		
Interest expense from bank borrowings	7,220	7,273
Interest expense of finance leases and other borrowings and bonds	4,326	1,941
Less: capitalised interest expense (Note 7)	(273)	(454)
Net interest expense from borrowings	11,273	8,760
Bank charges and others	1,691	7,087
Finance costs, net	10,362	15,160

### 17. Income Tax Expense

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Current income tax	3,133	14,672
Deferred income tax	(675)	(498)
	2,458	14,174

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

### 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	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before income tax	9,341	51,205
Tax calculated at income tax rates applicable to profits in the respective periods (25%)	2,335	12,801
Expenses not deductible for tax purposes	123	1,373
Tax charges	2,458	14,174
Effective tax rate	26.3%	27.7%

### 18. Earnings Per Share

#### (a) Basic

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit attributable to the owners of the Company	6,883	37,031
Weighted average number of ordinary shares in issue (thousands)	1,045,000	836,667
Basic earnings per share (RMB cents per share)	0.66 cent	4.43 cents

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

### 18. Earnings Per Share (continued)

#### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the Company's share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June 2015 RMB'000 (Unaudited)
Profit attributable to the owners of the Company	6,883
Weighted average number of ordinary shares in issue (thousands)	1,045,000
Adjustments for:	
– Share options (thousands)	40,000
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,045,038
Diluted earnings per share (RMB cents per share)	0.66 cent

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 2015 (2014: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

### 20. Commitments

#### (a) Capital commitments

Capital expenditures at the balance sheet date that have not been incurred are as follows:

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
Property, plant and equipment Contracted but not provided for	<b>16,538</b>	56,457

#### (b) Operating lease commitments

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:

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
No later than 1 year	<b>1,161</b>	199
Later than 1 year and no later than 5 years	<b>871</b>	798
	<b>2,032</b>	997



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

### 21. Related-Party Transactions

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

There is no transaction with the related party during the period ended 30 June 2015.

### 22. Key Management Compensation

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salary	635	667
Pension costs	12	29
Medical, housing and other benefits	6	9
	<b>653</b>	705