



錦藝紡織科技國際有限公司  
**ART TEXTILE TECHNOLOGY  
INTERNATIONAL COMPANY LIMITED**

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 565)



INTERIM REPORT

**2015**

## Corporate Information

### BOARD OF DIRECTORS

Mr. Chen Jinyan (*Chairman*)  
Mr. Chen Dong (*Chief Executive Officer*)  
Mr. Chen Jinqing  
Mr. Lin Ye\*  
Mr. Yang Zeqiang\*  
Ms. Yau Lai Ying\*

\* *Independent Non-executive Director*

### COMPANY SECRETARY

Ms. Yeow Mee Mooi

### AUDITOR

Dominic K.F. Chan & Co.

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1407, 14th Floor, China Merchants Tower  
Shun Tak Centre  
168 – 200 Connaught Road Central, Hong Kong  
Website: <http://arttextile.etnet.com.hk>

### REGISTERED OFFICE

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

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company  
(Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road  
PO Box 1586  
Grand Cayman KY1 – 1110  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### PRINCIPAL BANKERS

Industrial and Commercial Bank of China  
Bank of Communications  
Bank of Zhengzhou  
Hang Seng Bank

### SHARE LISTING

The Stock Exchange of Hong Kong Limited  
(Stock code: 565)

## Report on Review of Interim Financial Information



### TO THE BOARD OF DIRECTORS OF ART TEXTILE TECHNOLOGY INTERNATIONAL COMPANY LIMITED

錦藝紡織科技國際有限公司

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

#### Introduction

We have reviewed the interim financial information set out on pages 3 to 26 which comprises the condensed consolidated statement of financial position of Art Textile Technology International Company Limited and its subsidiaries as of 31 December 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. 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 Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, 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 Hong Kong 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 HKAS 34.

**Dominic K.F. Chan & Co.,**  
*Certified Public Accountants (Practising)*  
Rooms 2105-06, 21/F.,  
Office Tower, Langham Place,  
8 Argyle Street, Mongkok,  
Hong Kong  
26 February 2016

The board of directors (the “Board”) of Art Textile Technology International Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (together, the “Group”) for the six months ended 31 December 2015 (the “Period”), which were reviewed by the auditor and the audit committee of the Company, together with the comparative figures for the previous corresponding period are as follows:

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Months Ended 31 December 2015

		<b>Six months ended</b>	
		<b>31.12.2015</b>	31.12.2014
		<b>(unaudited)</b>	(unaudited)
		<b>HK\$'000</b>	HK\$'000
<i>NOTES</i>			(restated)
<b>Continuing operations</b>			
Turnover		<b>54,840</b>	–
Cost of sales		<b>(14,705)</b>	–
		<hr/>	<hr/>
Gross profit		<b>40,135</b>	–
Other income		<b>5,055</b>	27
Administrative expenses		<b>(11,063)</b>	(5,004)
Other expenses		<b>(42,501)</b>	(314)
Finance costs	4	<b>(30,143)</b>	(379)
		<hr/>	<hr/>
Loss before tax		<b>(38,517)</b>	(5,670)
Income tax expense	5	<b>(2,238)</b>	–
		<hr/>	<hr/>
Loss for the period from continuing operations	6	<b>(40,755)</b>	(5,670)
<b>Discontinued operations</b>			
Profit/(loss) for the period from discontinued operations (net of tax)	8	<b>284,769</b>	(1,049)
		<hr/>	<hr/>
Profit/(loss) for the period	6	<b>244,014</b>	(6,719)

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Months Ended 31 December 2015

	Six months ended	
NOTES	31.12.2015 (unaudited) HK\$'000	31.12.2014 (unaudited) HK\$'000 (restated)
Other comprehensive (loss)/income		
Reclassification adjustments relating to exchange difference upon disposal of interests in subsidiaries	(174,666)	–
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation	(56,576)	11
Other comprehensive (loss)/income for the period (net of tax)	(231,242)	11
Total comprehensive income/(loss) for the period	12,772	(6,708)
Profit/(loss) for the period attributable to:		
Owners of the Company		
– continuing operations	(42,433)	(5,670)
– discontinued operations	284,769	(1,049)
	242,336	(6,719)
Non-controlling interests		
– continuing operations	1,678	–
– discontinued operations	–	–
	244,014	(6,719)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	25,728	(6,708)
Non-controlling interests	(12,956)	–
	12,772	(6,708)
EARNINGS/(LOSS) PER SHARE	9	
From continuing and discontinued operations		
Basic ( <i>HK cents per share</i> )	18.65	(0.63)
Diluted ( <i>HK cents per share</i> )	18.53	(0.61)
From continuing operations		
Basic ( <i>HK cents per share</i> )	(3.27)	(0.53)
Diluted ( <i>HK cents per share</i> )	(3.24)	(0.51)

## Condensed Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	31.12.2015 (unaudited) HK\$'000	30.6.2015 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	6,625	95,746
Prepaid lease payments		–	18,121
Investment properties	10	2,748,571	2,645,570
Goodwill	11	63,549	34,764
		<u>2,818,745</u>	<u>2,794,201</u>
<b>CURRENT ASSETS</b>			
Inventories		–	1,164
Trade and other receivables	12	54,522	76,036
Bank balances and cash		64,293	300,990
		<u>118,815</u>	<u>378,190</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	127,576	40,296
Tax liabilities		1,228	–
Secured bank and other borrowings	14	366,071	365,190
		<u>494,875</u>	<u>405,486</u>
<b>NET CURRENT LIABILITIES</b>		<u>(376,060)</u>	<u>(27,296)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,442,685</u>	<u>2,766,905</u>

## Condensed Consolidated Statement of Financial Position

At 31 December 2015

		<b>31.12.2015</b> <b>(unaudited)</b> <b>HK\$'000</b>	30.6.2015 (audited) HK\$'000
	<i>NOTES</i>		
<b>CAPITAL AND RESERVES</b>			
Share capital	15	13,311	12,986
Share premium and reserves		<u>1,104,691</u>	<u>1,136,588</u>
Equity attributable to owners of the Company		<u>1,118,002</u>	<u>1,149,574</u>
Non-controlling interests		<u>232,888</u>	<u>245,844</u>
Total equity		<u>1,350,890</u>	<u>1,395,418</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		360,718	362,200
Secured bank and other borrowings		705,952	984,177
Bonds	19	<u>25,125</u>	<u>25,110</u>
		<u>1,091,795</u>	<u>1,371,487</u>
		<u>2,442,685</u>	<u>2,766,905</u>



## Condensed Consolidated Statement of Changes In Equity

For the Six Months Ended 31 December 2015

	Share capital	Share premium	Merger reserve	Exchange reserve	Statutory reserve	Share option reserve	Retained profits	Attributable to owners of the Company	Non- controlling interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2014	10,406	165,838	136	191,039	68,044	18,078	623,399	1,076,940	-	1,076,940
Loss for the period	-	-	-	-	-	-	(6,719)	(6,719)	-	(6,719)
Other comprehensive income for the period										
- Exchange difference arising on translation	-	-	-	11	-	-	-	11	-	11
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>(6,719)</b>	<b>(6,708)</b>	<b>-</b>	<b>(6,708)</b>
Placing of shares	2,080	67,600	-	-	-	-	-	69,680	-	69,680
Transaction costs attributable to placing of shares	-	(1,231)	-	-	-	-	-	(1,231)	-	(1,231)
At 31 December 2014	12,486	232,207	136	191,050	68,044	18,078	616,680	1,138,681	-	1,138,681
Profit/(loss) for the period	-	-	-	-	-	-	(5,722)	(5,722)	7,787	2,065
Issue of shares under employee share option plan	500	23,535	-	-	-	(7,420)	-	16,615	-	16,615
Non-controlling interests arising on the acquisition of a subsidiary	-	-	-	-	-	-	-	-	238,057	238,057
At 30 June 2015	12,986	255,742	136	191,050	68,044	10,658	610,958	1,149,574	245,844	1,395,418
Profit for the period	-	-	-	-	-	-	242,336	242,336	1,678	244,014
Other comprehensive loss for the period										
- Reclassification adjustments relating to exchange difference upon disposal of interests in subsidiaries	-	-	-	(174,666)	-	-	-	(174,666)	-	(174,666)
- Exchange difference arising on translation	-	-	-	(41,942)	-	-	-	(41,942)	(14,634)	(56,576)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(216,608)</b>	<b>-</b>	<b>-</b>	<b>242,336</b>	<b>25,728</b>	<b>(12,956)</b>	<b>12,772</b>
Issue of shares under employee share option plan	325	15,251	-	-	-	(4,832)	-	10,744	-	10,744
Disposal of subsidiaries	-	-	-	-	(68,044)	-	-	(68,044)	-	(68,044)
At 31 December 2015	13,311	270,993	136	(25,558)	-	5,826	853,294	1,118,002	232,888	1,350,890

The statutory reserve fund is a reserve required by the relevant laws of the People's Republic of China (the "PRC") applicable to some of Company's PRC subsidiaries. Appropriations to such reserve are made out of profit for the period as per the statutory accounts of the PRC subsidiaries and the amount and allocation basis are decided by the respective board of directors annually.



## Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 31 December 2015

		Six months ended	
	NOTES	31.12.2015 (unaudited) HK\$'000	31.12.2014 (unaudited) HK\$'000
Net cash generated from/(used in) operating activities		<b>163,929</b>	(134,665)
Net cash used in investing activities			
Purchase of property, plant and equipment		<b>(9,962)</b>	(17,817)
Proceeds from disposal of property, plant and equipment		–	551
Net cash outflow on acquisition of a subsidiary	20	<b>(258,912)</b>	–
Net cash inflow on disposal of subsidiaries	21	<b>59,530</b>	–
Interest received		<b>208</b>	1,769
		<b>(209,136)</b>	(15,497)
Net cash generated from/(used in) financing activities			
Repayments of bank and other borrowings		<b>(457,738)</b>	(37,975)
Proceeds from issue of bonds		–	15,340
Proceeds from issue of new shares		<b>10,744</b>	68,449
Interest paid on bank and other borrowings		<b>(30,654)</b>	(1,950)
Proceeds from borrowings		<b>302,381</b>	25,316
		<b>(175,267)</b>	69,180
Net decrease in cash and cash equivalents		<b>(220,474)</b>	(80,982)
Effect of foreign exchange rate changes		<b>(16,223)</b>	11
Cash and cash equivalents at the beginning of the period		<b>300,990</b>	740,659
Cash and cash equivalent at the end of the period represented by bank balances and cash		<b>64,293</b>	659,688

## Notes to The Condensed Consolidated Financial Statements

For the Six Months Ended 31 December 2015

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2015 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 30 June 2015.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Amendments)	Disclosure Initiative <sup>1</sup>
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants <sup>1</sup>
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements <sup>1</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>1</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for first annual HKFRS financial statements for period beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018

The directors of the Company anticipate that the application of these new or revised standards and amendments will have no material effect on how the results and the financial position of the Group are prepared and presented.

### 3. SEGMENT INFORMATION

Information reported to the Board of the Company, being the chief operating decision maker, for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Therefore, the chief operating decision maker only considers the Group's business from a product perspective, rather than from a geographic perspective. From a product perspective, management assesses the performance from textile products which includes dyeing process of grey fabrics, and from property operating for the period ended 31 December 2015.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3 to the consolidated financial statements of the Company's 2015 annual report. Segment result represents the profit or loss from each segment without allocation of income tax expense and central administration costs.

Three external customers with each of their turnover amounted to 10 per cent or more of the Group's turnover for the periods ended 31 December 2014. The total amount of turnover from the first customer was HK\$63,834,000, from the second customer was HK\$36,762,000 and from the third customer was HK\$33,040,000. All of them were from textile products segment.

No single customer or tenant contributed to 10 per cent or more of the Group's turnover for the period ended 31 December 2015.

The chief operating decision maker assesses the performance of the operating segments based on sales and net profit/(loss).

	<u>Continuing operations</u>	<u>Discontinued operations</u>	
	Property operating HK\$'000	Textile products HK\$'000	Total HK\$'000
<b>Six months ended 31 December 2015</b>			
Turnover	<u>54,840</u>	<u>24,127</u>	<u>78,967</u>
Segment results	8,091	(19,225)	(11,134)
Gain on disposal of subsidiaries			319,277
Income tax expense			(2,238)
Central administration costs			<u>(61,891)</u>
Profit for the period			<u>244,014</u>
Depreciation	<u>342</u>	<u>7,501</u>	<u>7,843</u>

**3. SEGMENT INFORMATION** *(Continued)*

	Continuing operations	Discontinued operations	
	Property operating HK\$'000	Textile products HK\$'000	Total HK\$'000
<b>Six months ended 31 December 2014</b>			
Turnover	–	296,115	296,115
Segment results	(3,583)	(197)	(3,780)
Income tax expenses			(239)
Central administration costs			(2,700)
Loss for the period			(6,719)
Depreciation	–	9,284	9,284

**4. FINANCE COSTS**

	<b>Six months ended</b>	
	<b>31.12.2015 HK\$'000 (unaudited)</b>	31.12.2014 HK\$'000 (unaudited)
<b>Continuing operations</b>		
Interest on		
– Bank and other borrowings wholly repayable within five years	<b>8,852</b>	–
– Bank and other borrowings wholly repayable over five years	<b>20,263</b>	–
– Bonds	<b>1,028</b>	379
	<b>30,143</b>	379
<b>Discontinued operations</b>		
Interest on		
– Bank and other borrowings wholly repayable within five years	<b>1,540</b>	1,951
	<b>31,683</b>	2,330

## 5. INCOME TAX EXPENSE

	Six months ended	
	31.12.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (unaudited)
<b>Continuing operations</b>		
Income tax recognised in profit and loss		
PRC Enterprise Income Tax ("EIT")		
– Current income tax	<u>2,238</u>	<u>–</u>
<b>Discontinued operations</b>		
Income tax recognised in profit and loss		
PRC EIT		
– Current income tax	<u>–</u>	<u>239</u>

Hong Kong Profits Tax was calculated at 16.5% (1.7.2014 to 31.12.2014: 16.5%) of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group did not generate any assessable profits arising in Hong Kong during the periods ended 31 December 2014 and 2015.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries was 25%.

No provision for deferred tax has been recognised in the condensed consolidated financial statements as the amount involved is insignificant.

**6. PROFIT/(LOSS) FOR THE PERIOD**

	<b>Six months ended</b>	
	<b>31.12.2015</b>	31.12.2014
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
		(restated)
<p>Profit/(loss) for the period has been arrived at after charging (crediting):</p>		
<b>Continuing operations</b>		
Depreciation of property, plant and equipment	<b>343</b>	2
Interest income	<b>(56)</b>	(27)
	<hr/>	<hr/>
<b>Discontinued operations</b>		
Depreciation of property, plant and equipment	<b>7,501</b>	9,284
Release of prepaid lease payments	<b>234</b>	249
Interest income	<b>(152)</b>	(1,742)
	<hr/>	<hr/>

**7. DIVIDEND PAID**

No dividend was paid or proposed during the period nor has any dividend been proposed since the end of the reporting period (2014: Nil).

**8. DISCONTINUED OPERATIONS**

Analysis of profit/(loss) for the period from discontinued operations:

The results of the discontinued operations included in the condensed consolidated financial statements for the current and prior periods are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

8. DISCONTINUED OPERATIONS (Continued)

		Textile products	
		31.12.2015 (unaudited) HK\$'000	31.12.2014 (unaudited) HK\$'000
NOTES			
Turnover		24,127	296,115
Cost of sales		<u>(34,598)</u>	<u>(286,310)</u>
Gross (loss)/profit		(10,471)	9,805
Other income		274	2,715
Selling and distribution costs		(1,766)	(4,880)
Administrative expenses		(6,328)	(6,499)
Other expenses		(14,677)	–
Finance costs	4	<u>(1,540)</u>	<u>(1,951)</u>
Loss before taxation		(34,508)	(810)
Income tax expense	5	<u>–</u>	<u>(239)</u>
Loss after taxation		(34,508)	(1,049)
Gain on disposal of discontinued operations		<u>319,277</u>	<u>–</u>
Profit/(loss) for the period	6	<u>284,769</u>	<u>(1,049)</u>

The cash flows of the discontinued operations for the current and prior periods are as follows:

		Textile products	
		31.12.2015 (unaudited) HK\$'000	31.12.2014 (unaudited) HK\$'000
Net cash used in operating activities		(1,134)	(677,220)
Net cash used in investing activities		(3,739)	(15,513)
Net cash generated from/(used in) financing activities		<u>4,414</u>	<u>(14,608)</u>
Net cash outflow from discontinued operations		<u>(459)</u>	<u>(707,341)</u>



**8. DISCONTINUED OPERATIONS** *(Continued)*

Effect of disposal on the financial position of the Group:

	HK\$'000 (unaudited)
<i>Analysis of assets and liabilities over which control was lost:</i>	
Property, plant and equipment	85,541
Prepaid lease payments	17,277
Inventories	720
Trade and other receivables	511,483
Bank balances and cash	2,070
Trade and other payables	(360,382)
Secured bank borrowings	(41,667)
Deferred tax liabilities	(10,165)
	<u>204,877</u>

**9. EARNINGS/(LOSS) PER SHARE**

	<b>Six months ended</b>	
	<b>31.12.2015 HK\$'000 (unaudited)</b>	31.12.2014 HK\$'000 (unaudited)
<b>EARNINGS/(LOSS) PER SHARE</b>		
<i>Basic (HK cents per share)</i>		
– continuing operations	<b>(3.27)</b>	(0.53)
– discontinued operations	<b>21.92</b>	(0.10)
	<b>18.65</b>	(0.63)
<i>Diluted (HK cents share)</i>		
– continuing operations	<b>(3.24)</b>	(0.51)
– discontinued operations	<b>21.77</b>	(0.10)
	<b>18.53</b>	0.61

9. EARNINGS/(LOSS) PER SHARE (Continued)

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company was based on the following data:

	<b>Six months ended</b>	
	<b>31.12.2015</b>	31.12.2014
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Earnings/(loss)</b>		
Profit/(loss) for the period attributable to the owners of the Company and earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share	<b>242,336</b>	(6,719)
Profit/(loss) for the period used in the calculation of basic and diluted earnings/(loss) per share from discontinued operations	<u><b>284,769</b></u>	<u>(1,049)</u>
Loss for the period used in the calculation of basic and diluted loss per share from continuing operations	<u><b>(42,433)</b></u>	<u>(5,670)</u>

	<b>Six months ended</b>	
	<b>31.12.2015</b>	31.12.2014
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<b>1,299,132</b>	1,074,516
Effect of dilutive potential ordinary shares in respect of share options issued by the Company	<u><b>8,850</b></u>	<u>29,574</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u><b>1,307,982</b></u>	<u>1,104,090</u>

**10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES**

During the period, the Group incurred approximately HK\$9,962,000 (1.7.2014 to 31.12.2014: HK\$17,817,000) for purchase costs of furniture, fixtures, office equipment and motor vehicles in order to facilitate the operations of its newly acquired subsidiaries. Details of capital commitments were disclosed in note 17.

Investment properties of approximately HK\$260,476,000 was acquired through acquisition of a subsidiary during the period. Details of acquisition of a subsidiary were disclosed in note 20.

**11. GOODWILL**

	HK\$'000
Cost	
At 1 July 2014 and 31 December 2014	–
Additional amounts recognised from business combinations occurring during the period	34,764
At 30 June 2015 and 1 July 2015	34,764
Additional amounts recognised from business combinations occurring during the period ( <i>note 20</i> )	28,785
At 31 December 2015	63,549

## 12. TRADE AND OTHER RECEIVABLES

There are no specific credit terms given to the tenants. Monthly rentals in respect of retail properties are payable in advance by tenants in accordance with the leases. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented at the end of the reporting period, which approximated the respective revenue recognition dates:

	<b>31.12.2015</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.6.2015 HK\$'000 (audited)
0 – 90 days	<b>11,280</b>	6,435
Over 90 days	<b>2,212</b>	577
Trade receivables	<b>13,492</b>	7,012
Deposits paid for the acquisition	–	55,190
Other receivables	<b>41,030</b>	13,336
Prepaid lease payments – current portion	–	498
	<b>54,522</b>	76,036

**13. TRADE AND OTHER PAYABLES**

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	<b>31.12.2015</b>	30.6.2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
0 – 90 days	–	3,425
Over 90 days	–	96
	<hr/>	<hr/>
Trade payables	–	3,521
Amount due to a substantial shareholder ( <i>Note</i> )	<b>85,511</b>	–
Other payables	<b>42,065</b>	36,775
	<hr/>	<hr/>
	<b>127,576</b>	40,296
	<hr/>	<hr/>

*Note:* The amount is a loan provided by a substantial shareholder to repay part of other borrowings at a high interest rate. The amount is unsecured, interest free and has no fixed term of repayment.

**14. SECURED BANK AND OTHER BORROWINGS**

During the period, the Group obtained new other borrowings amounting to HK\$302,381,000 (1.7.2014 to 31.12.2014: HK\$25,316,000). Total repayment of bank and other borrowings during the period was \$457,738,000 (1.7.2014 to 31.12.2014: HK\$37,975,000). The loans carried interests at fixed and floating rates and are repayable from 1 to 9 years.

## 15. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each, at 1 July 2014, 1 July 2015 and 31 December 2015	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each, at 1 July 2013 and 1 July 2014	1,040,602,583	10,406
Issue of new shares ( <i>Note</i> )	208,000,000	2,080
Exercise of share options	50,000,000	500
	<hr/>	<hr/>
At 30 June 2015	1,298,602,583	12,986
Exercise of share options	32,460,000	325
	<hr/>	<hr/>
At 31 December 2015	1,331,062,583	13,311
	<hr/>	<hr/>

*Note:* Pursuant to the placing agreement dated 12 November 2014, 208,000,000 new ordinary shares of the Company of HK\$0.01 each were issued to several independent third parties by placing at a price of HK\$0.335 per share on 2 December 2014.

## 16. SHARE-BASED PAYMENTS

The Company adopts a share option scheme for eligible participants, including directors and employees of the Group and other participants. Details of the share options granted to the directors and employees of the Group outstanding during the period are as follows:

	Number of share options
Outstanding at 1 July 2014 and 31 December 2014	122,600,000
Granted during the period	–
Exercised during the period	<u>(50,000,000)</u>
Outstanding at 30 June 2015 and 1 July 2015	72,600,000
Granted during the period	–
Exercised during the period	<u>(32,460,000)</u>
Outstanding at 31 December 2015	<u>40,140,000</u>

## 17. COMMITMENTS

Capital Commitment:

	<b>31.12.2015</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.6.2015 HK\$'000 (audited)
Capital expenditures contracted but not provided for in the condensed consolidated financial statements in respect of		
– leasehold improvement	<b>206</b>	753
– plant and machinery	<u>–</u>	<u>4,476</u>
	<b><u>206</u></b>	<b><u>5,229</u></b>

Operating Lease Commitment:

### The Group as lessor

Property rental income, management fee income and operating service income earned during the period was HK\$54,840,000 (1.7.2014 to 31.12.2014: Nil). All properties have committed tenants ranging from the next 1 to 18 years have an option to renew the lease after that date at which time all terms are renegotiated.

At 31 December 2015, the Group had contracted with tenants for the following future minimum lease payments:

	<b>31.12.2015</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.6.2015 HK\$'000 (audited)
Within one year	<b>159,020</b>	74,108
In the second to fifth years inclusive	<b>541,354</b>	268,310
Over five years	<b>813,657</b>	<u>783,699</u>
	<b><u>1,514,031</u></b>	<b><u>1,126,117</u></b>



## 17. COMMITMENTS *(Continued)*

### The Group as lessee

At 31 December 2015, the Group has commitments for future minimum lease payments for rented premises under non-cancellable operating leases which fall due as follows:

	<b>31.12.2015</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.6.2015 HK\$'000 (audited)
Within one year	<b>18,697</b>	492
In the second to fifth years inclusive	<b>1,608</b>	855
	<b>20,305</b>	1,347

Leases are negotiated for a term ranging from 1 to 5 years with fixed rentals. Most of the operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

## 18. RELATED PARTY TRANSACTIONS

The remuneration of key management during the period was as follows:

	<b>Six months ended</b>	
	<b>31.12.2015</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2014 HK\$'000 (unaudited)
Short-term benefits	<b>1,896</b>	1,896
Retirement benefit scheme contributions	<b>30</b>	33
	<b>1,926</b>	1,929

The remuneration of key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

**19. BONDS**

On 10 July 2013, the Company issued unlisted and non-transferable bond of HK\$10,000,000 to an independent third party at face value with issuing cost of HK\$120,000. The bond is interest bearing at 8.00% per annum, unsecured and repayable on the seventh anniversary of the date of issue. The bond was initially recognised at HK\$9,862,000 less issuing cost of HK\$120,000 and subsequently measured at amortised cost using the effective interest method. The effective interest rate is 8.33% (1.7.2014 to 31.12.2014: 8.33%) per annum.

On 13 August 2014, the Company issued two unlisted and non-transferable bonds at face value of HK\$5,340,000 and HK\$10,000,000 to two independent third parties. The bonds are interest bearing at 8.00% per annum, unsecured and repayable on the seventh and half anniversary of the respective date of issue. The bonds were initially recognised at HK\$15,309,000 and subsequently measured at amortised cost using the effective interest method. The effective interest rate is 8.05% (1.7.2014 to 31.12.2014: 8.05%) per annum.

During the period, coupon interests payment of the bonds were approximately HK\$1,013,000 (1.7.2014 to 31.12.2014: HK\$877,000).

The movements of the liability component of the Group's bonds during the six months ended 31 December 2015 are as follows

	<b>31.12.2015 HK\$'000 (unaudited)</b>
Liability component at 30 June 2015 (audited)	<b>25,110</b>
Effective interest charged for the period	<b>1,028</b>
Coupon interests paid/payable	<b>(1,013)</b>
	<b>25,125</b>
Liability component at 31 December 2015	<b>25,125</b>

**20. ACQUIRISTION OF A SUBSIDIARY**

On 30 October 2015, the Group acquired entire equity interest in a company from an independent third party, of which the principal activity of its subsidiary is property services and rental in the PRC. The purchase consideration was RMB218,000,000 (equivalent to approximately HK\$259,524,000) in cash and comprised (1) RMB120,294,000 (equivalent to approximately HK\$143,207,000) for the entire equity interests in Zhengzhou Jiacong Property Services Company Limited and (2) RMB97,706,000 (equivalent to approximately HK\$116,317,000) for repayment of amount due to Zhengzhou Changke Trading Company Limited ("Changke"). Details of the above are set out in the circular of the Company dated 20 July 2015. This acquisition has been accounted for using the purchase method.

**20. ACQUISITION OF A SUBSIDIARY** *(Continued)*

The assets and liabilities acquired recognised at the date of acquisition:

	HK\$'000 (unaudited)
Investment properties	260,476
Bank balances and cash	612
Other payables and accruals	(116,424)
Deferred tax liabilities	<u>(30,242)</u>
	114,422
Goodwill	28,785
Repayment of amount due to Changke	<u>116,317</u>
	<u>259,524</u>
Consideration:	
Cash paid for entire equity interests	143,207
Repayment of amount due to Changke	<u>116,317</u>
	<u>259,524</u>
<i>Net cash outflow arising on acquisition:</i>	
Cash consideration paid	259,524
Bank balances and cash acquired	<u>(612)</u>
Net cash outflow	<u>258,912</u>

Acquisition-related costs amounting to HK\$2,222,000 has been excluded from the consideration transferred and have been recognised as expenses in the condensed consolidated statements of profit or loss and other comprehensive income.

**21. DISPOSAL OF SUBSIDIARIES**

On 28 August 2015, the Group entered into a conditional sale and purchase agreement to dispose of its entire equity interest in its subsidiaries, Global Art International Limited, Good Fame Group Limited, Art Bright Holdings Limited, Art Gate Limited, Fuzhou Huaguan Knitting and Springing Co., Ltd. and Fuzhou Huasheng Textile Co., Ltd. (collectively referred to as the “Disposal Group”) to an independent third party at a consideration of HK\$260,788,000). The principal activity of the Disposal Group is dyeing process of grey fabrics. The disposal was completed on 31 December 2015. Details of the above are set out in the circular of the Company dated 8 December 2015.

HK\$'000  
(unaudited)

*Analysis of assets and liabilities over which control was lost:*

Property, plant and equipment	85,541
Prepaid lease payments	17,277
Inventories	720
Trade and other receivables	511,483
Bank balances and cash	2,070
Trade and other payables	(360,382)
Secured bank borrowings	(41,667)
Deferred tax liabilities	(10,165)
	204,877

*Gain on disposal of subsidiaries:*

Total consideration	281,444
Less:	
Net assets disposed of	204,877
Statutory reserves	(68,044)
Cumulative exchange differences in respect of the net liabilities of the subsidiaries reclassified from equity to profit or loss on loss of control of the Disposal Group	(174,666)
	319,277

Gain on disposal

## 21. DISPOSAL OF SUBSIDIARIES (Continued)

	HK\$'000 (unaudited)
<i>Total consideration satisfied by:</i>	
Gross cash received	281,444
Less: disposal group loan (A) and (B) (Note)	<u>(193,444)</u>
Cash consideration	88,000
Consideration receivable	<u>(26,400)</u>
Consideration received in cash	<u>61,600</u>
<i>Net cash inflow arising on disposal:</i>	
Consideration received in cash	61,600
Bank balances and cash disposed of	<u>(2,070)</u>
Net cash inflow	<u>59,530</u>

The outstanding cash consideration was settled in cash and in full in January 2016.

Note: Please refer to the circular of the Company dated 8 December 2015.

## 22. EVENT AFTER THE REPORTING PERIOD

There are no post balance sheet events that require to be reported.

## Management Discussion and Analysis

### OPERATIONAL AND FINANCIAL REVIEW

#### Continuing operations

The Group was engaged in the property operating segment during the Period through an acquisition of an aggregate of 75% equity interests in 鄭州佳潮物業服務有限公司 (Zhengzhou Jiachao Property Services Company Limited) (“Jiachao”) from two independent third parties by the Company’s indirect wholly-owned subsidiary registered in the People’s Republic of China (the “PRC”). The completion of this acquisition took place on 1 April 2015. The major asset of Jiachao is a shopping mall situated in Zhengzhou City, Henan Province, the PRC (the “Jiachao’s Shopping Mall”). Since the completion of the acquisition, the Group owns the Jiachao’s Shopping Mall and generates revenue from the monthly incomes of rental, management fee and operating services payable by various tenants under the respective tenancy agreements with a term ranging from one year to eighteen years. The Jiachao’s Shopping Mall has been subdivided into various units and shops, all of which were rented out as at 31 December 2015 to over 150 tenants who offer a wide range of services and goods including shopping, dining and entertainment, such as a cinema, jewellery and watches, beauty, electrical appliances, international labels for fashion, lifestyle, casual wear/sport, kid’s paradise and food and beverages outlets.

Furthermore, the Group continued to diversify its operations into different kinds of business during the Period and more resources had been put into the property operating segment in order to explore future prospects and develop relevant markets. Therefore, the Board announced that on 26 June 2015, an indirect wholly-owned PRC subsidiary of the Company entered into a sale and purchase agreement with an independent third party in connection with the acquisition of the entire equity interests in 鄭州佳聰物業服務有限公司 (Zhengzhou Jiacong Property Services Company Limited) (“Jiacong”), of which, its major asset consists of 164 shops in a giant theme shopping mall (the “Jiacong’s Shops”) situated in Zhengzhou City, Henan Province, the PRC, at a cash consideration of RMB218,000,000 (equivalent to approximately HK\$259,524,000). Jiacong intended to hold the Property for rental purpose in the PRC. The completion of this acquisition took place on 30 October 2015. For further details of the acquisition, please refer to the announcement of the Company dated 26 June 2015 and the circular of the Company dated 20 July 2015. As at 31 December 2015, approximately 73.2% of the Jiacong’s Shops had been rented out to tenants selling textile materials, accessories and products with the lease terms commencing from the beginning of 2016 for three years.

**ART TEXTILE TECHNOLOGY  
INTERNATIONAL COMPANY LIMITED**

During the Period, Jiachao signed a rental agreement with a real estate developer, an independent third party, whereby Jiachao leased from the real estate developer shop units in Zone C shopping mall with a gross floor area of approximately 60,658 square metres (“Zone C Shopping Mall”) for a term of 10.4 years and a rent-free period up to 31 December 2015. Zone C Shopping Mall is an individual shopping mall adjacent to the Jiachao’s Shopping Mall. Jiachao promoted and further rented out Zone C Shopping Mall to independent tenants. Jiachao also possesses an advantage of having existing caliber and experienced management and staff to run Zone C Shopping Mall. As such, the extra costs for running Zone C Shopping Mall is minimal to Jiachao while it is earning considerable amount of rental income from renting out Zone C Shopping Mall to target tenants, such as local and international brand names. The Board believes that the larger the area for shopping, the more the number of similar types of shops opened, which may in turn attract more customers by offering them a large diversity and well-known choices. The managing of both the Jiachao’s Shopping Mall and Zone C Shopping Mall by Jiachao will bring positive benefits and synergy effects on the customer flow and the tenant grade to the Group, which eventually contributes to turnover and profit margin of the property operating business of the Group.

*Turnover*

For the Period, the Group recorded a turnover of approximately HK\$54,840,000 (2014: Nil), because the Group entered into a sale and purchase agreement on 18 December 2014 in connection with the acquisition of 75% equity interests in Jiachao. There was no such turnover for the period ended 31 December 2014 as the acquisition of Jiachao was completed on 1 April 2015. The Group’s turnover of the property operating segment included the monthly incomes of rental, management fee and operating services received and receivable from the tenants of the shopping mall accordingly after the completion of the sale and purchase agreement.

Another sale and purchase agreement was entered into by the Group on 26 June 2015 in connection with the acquisition of entire equity interests in Jiacong, of which, its major assets is the Jiacong’s Shops. This acquisition was completed during the Period, however, the tenancy agreements of the Jiacong’s Shops commenced in 2016. Therefore, no contribution to turnover of the property operating segment was recognized in relation to the Jiacong’s Shops during the Period.

*Gross Profit*

The gross profit margin was approximately 73.2% for the six months ended 31 December 2015 (2014: Nil). High gross profit margin of the property operating segment was due to its simple costs of sales based on the business nature, such as electricity and heat supply charges, public security and hygiene expenses etc.



*Loss for the Period*

The Group's loss incurred for the continuing operations during the Period was approximately HK\$40,755,000 (2014: HK\$5,670,000) because of the substantial increase in other expenses and finance costs as a result of material devaluation of Renminbi ("RMB") by the PRC government and interest expenses of bank and other borrowings obtained from the acquisition of Jiachao, respectively. Simultaneously, the profit margin was negative 74.3% (2014: Nil) for the Period. On the other hand, the profit of the property operating segment was due to the exclusion of an exchange loss incurred by some subsidiaries that are not classified in any segment due to their business nature.

*Other income*

The Group's other income for the Period was approximately HK\$5,055,000 (2014: HK\$27,000), which was substantially more than that in 2014. Such increase was attributable to other kinds of incomes earned by Jiachao, such as car parking fees, during the Period.

*Expenses*

Administrative expenses amounted to approximately HK\$11,063,000 (2014: HK\$5,004,000), representing approximately 20.2% (2014: Nil) of turnover for the Period. Administrative expenses increased by approximately 121.1% when compared with that of 2014 because of recording of administrative expenses incurred by Jiachao and Jiacong during the Period.

Other expenses amounted to approximately HK\$42,501,000 (2014: HK\$314,000), representing approximately 77.5% (2014: Nil) of turnover for the Period. The significant increase was due to material devaluation of RMB by the PRC government implemented during the Period.

Finance costs amounted to approximately HK\$30,143,000 (2014: HK\$379,000), representing approximately 55.0% (2014: Nil) of turnover for the Period. The substantial increase was due to the undertaking of bank loans and other borrowings arranged by Jiachao together with its interest expenses paid/payable during the Period.

*Dividend*

The Board does not recommend the payment of an interim dividend for the Period (2014: Nil).

### **Discontinued operations**

The Group was engaged in the dyeing process of grey fabrics provided by its long-term relationship customers and new customers in the PRC during the Period with an aim to reduce production cost and strike for better financial performance. However, due to a number of adverse factors including rising labour costs, slow recovery of the global economy, reduction of demand and intensified competition in both domestic and overseas textile and garment markets, a more cautious purchasing approach adopted by downstream customers and declining sales price of textile products leading to a reduction of gross sales margin, a loss of the textile products segment was eventually incurred for the Period regardless of the trim of the Group's business strategy and implementation of some cost cutting policies. Since these adverse situations are expected to be continued in the future, the Board decided to dispose of a number of subsidiaries that principally engaged in the dyeing process of grey fabrics (the "Disposal Group"), i.e. the textile products segment, and entered into a sale and purchase agreement on 28 August 2015 with an independent third party so as to mitigate its financial burden and negative impact and allocate its resources on the property operating segment for its long-term advantage. The completion of this disposal took place on 31 December 2015. For further details of the disposal, please refer to the announcement of the Company dated 28 October 2015 and the circular of the Company dated 8 December 2015.

### *Turnover*

For the Period, the Disposal Group recorded a turnover of approximately HK\$24,127,000 (2014: HK\$296,115,000), approximately 91.9% less than that in 2014. The decrease in turnover of the textile products segment was due to a few factors, such as a slowdown in the PRC's textile industry as a consequence of a continuous fall in textile and garment prices which was attributable to the slow recovery of the global economy and reduction of demand in both domestic and overseas textile and garment markets. Downstream customers have adopted a cautious approach in purchasing and a chain reaction has thereby occurred, which in turn affected each upper level of upstream suppliers to place orders to their own immediate level of suppliers, and eventually caused a negative impact on the sales volume and selling prices of the Disposal Group's textile products, of which, the Disposal Group is one of the upstream manufacturers in the textile industry in the PRC. A decrease in the Disposal Group's sales volume of garment fabrics and textile materials accordingly impacted its revenue along with a decline in selling prices of the Disposal Group's garment fabrics and textile materials. In view of the retrenchment of the sale of garment fabrics and significant challenges and uncertainties in the business environment in the PRC, the Disposal Group focused on processing the dyeing of grey fabrics since the end of the six months ended 31 December 2014 with an aim to reduce production cost and strike for better financial performance. The Disposal Group did not designate any suppliers to produce grey fabrics; instead it only engaged in the dyeing process of grey fabrics that provided by its long-term relationship customers and new customers. Since then, turnover of the textile products segment included the income mainly from dyeing process of grey fabrics and limited income from sale of textile materials.

*Gross (Loss)/Profit*

The gross loss margin was approximately 43.4% for the six months ended 31 December 2015, which compared with the gross profit margin for the six months ended 31 December 2014 of approximately 3.3%. Gross loss of the textile products segment was due to a number of adverse factors including the slow recovery of the global economy, reduction of demand in both domestic and overseas textile markets and a cautious purchasing approach adopted by downstream customers, which impaired the selling prices and sales volume of the Disposal Group's garment fabrics. In addition, some fixed progressing costs, such as salaries and wages and depreciation costs, increased the average cost of progressing which in turn also brought down the gross profit margin of the textile products segment.

*Profit/(Loss) for the Period*

The Disposal Group earned a profit for the Period while the Disposal Group recorded a loss for the period ended 31 December 2014. The Disposal Group's profit earned during the Period was approximately HK\$284,769,000 (loss in 2014: HK\$1,049,000) which included (i) operating loss and (ii) gain on disposal of discontinued operations. The operating loss of the textile products segment was due to a number of adverse factors happened during the Period including the slow recovery of the global economy, reduction of demand in both domestic and overseas textile markets and a cautious purchasing approach adopted by downstream customers, which greatly reduced the selling prices and sales volume of the Disposal Group's textile products. All the above mentioned factors contributed to the increased cost of sales of the textile products segment and simultaneously reduced its profit margin and eventually incurred serious loss. Despite the Disposal Group's effort in improving the financial performance through measures including (i) trimming its business strategy, (ii) closing down its sales outlets in major cities of the PRC in order to further limit the Disposal Group's operating expenditures, (iii) implementing conservative and stringent cost control policies for the purpose of ensuring sufficient working capital by imposing control over operating costs and capital expenditure and strengthening accounts receivable management, the financial results of the Disposal Group were still not favourable. In addition, a significant amount of gain on disposal of subsidiaries was recorded during the Period as a consequence of the disposal of the textile products segment at the end of the Period which subsequently made the profit margin increase materially from approximately negative 0.4% for the six months ended 31 December 2014 to positive 1,180.3% for the Period.

*Other income*

The Disposal Group's other income for the Period was approximately HK\$274,000 (2014: HK\$2,715,000), which was approximately 89.9% less than that in 2014. Such decrease was attributable to the drop of interest income as a consequence of reduction in bank deposits throughout the Period.

### *Expenses*

Administrative expenses amounted to approximately HK\$6,328,000 (2014: HK\$6,499,000), representing approximately 26.2% (2014: 2.2%) of turnover for the Period. Administrative expenses decreased by approximately 2.6% which maintained at similar level in both periods.

Selling and distribution costs amounted to approximately HK\$1,766,000 (2014: HK\$4,880,000), representing approximately 7.3% (2014: 1.6%) of turnover for the Period. Selling and distribution costs decreased by approximately 63.8% when compared with that of 2014 because the strategy of the textile products segment was changed from the manufacture and sale of garment fabrics to the dyeing process of grey fabrics provided by its long-term relationship customers since the end of 2014. Accordingly, less marketing and promotion expenses were incurred during the Period.

Other expenses amounted to approximately HK\$14,677,000 (2014: Nil), representing approximately 60.8% (2014: Nil) of turnover for the Period. The significant increase was due to material devaluation of RMB by the PRC government implemented during the Period.

Finance costs amounted to approximately HK\$1,540,000 (2014: HK\$1,951,000), representing approximately 6.4% (2014: 0.7%) of turnover for the Period. The decrease was due to the drop of the interest rates of bank loans adjusted by People's Bank of China during the Period.

Gain on disposal of discontinued operations amounted to approximately HK\$319,277,000 (2014: Nil), representing approximately 1,323.3% (2014: Nil) of the turnover for the Period. This was attributable to the disposal of net assets, statutory reserves and cumulative exchange differences of a few subsidiaries that principally engaged in the dyeing process of grey fabrics deducted from the total consideration of the disposal of the textile products segment.

### **FUTURE PLANS AND PROSPECTS**

In view of achieving the best interests of the Company and its shareholders as a whole, the Group has been putting effort in enlarging its operations of property operating business. Therefore substantial resources have been placed into property operating aspects in order to explore future prospects and develop the relevant markets, with a view to magnify the Company's development potential and the shareholders' return. By doing this, the Group is principally engaged in property operating business and owns two properties, namely the Jiachao's Shopping Mall and the Jiacong's Shops. Both properties are situated in Zhengzhou City, the PRC and are acquired in 2015 for rental purpose.

The Group in the long-term plans to upgrade its tenants of the Jiachao's Shopping Mall by offering tenancies to more popular brands and will continue to diversify the types of tenants to meet the needs and interests of customers from different ages and backgrounds. To achieve these aims, the Group conducts large scale of marketing and promotion activities so that a stable and constant stream of rental income and fairly rigid cash flow can be continuously generated to the Group. The Jiacong's Shops are in the giant theme shopping mall selling textile materials, accessories and products. The extensive knowledge, experience and network in the textile business will enable the Group to grasp decisive opportunities in the promotion of renting these shops; hence, more suitable tenants running profitable textile business can be pinpointed as tenants of the Jiacong's Shops.

The PRC's economy is expected to maintain a relatively stable growth in the next decade. Economic, financial and social reforms covering a wide range of areas will lead the economy and the society towards a more healthy and sustainable development. The PRC government's focus is on targeted control measures to ensure a moderate pace of growth while continuing its economic restructuring. By leveraging on the Group's current strategic plan and established strengths, experience and foresight, the Group continues to seize opportunities to penetrate into property operating markets, explore other new market potential and increase profit margin. Moreover, the Group intends to manage and operate the property operating segment by the current and new caliber management and competent employees of newly acquired subsidiaries. Simultaneously, the Group continues to implement conservative and stringent cost control policies in order to maintain sufficient working capital by imposing control over operating costs and capital expenditures and strengthening accounts receivable management.

Looking forward, the Group continues to place additional resources to realize growth momentum from the development of property operating markets. The Jiachao's Shopping Mall and the Jiacong's Shops acquired by the Group recently are situated in Zhengzhou City, the centre of the PRC, and with good economic and demographic fundamentals, which enables the Group to diversify its business operations into property operating market in depth. The business growth of the Group is expected to accelerate and accordingly, the positive outcome will be gradually reflected in the future with full recovery of the worldwide economy. By continually diversifying the Group's business, the market value of the Company and the return to its shareholders will be maximized in long-term, which in return for the constant trust and support bestowed to the Company by its shareholders.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2015, the Group had net current liabilities and total assets less current liabilities of approximately HK\$376,060,000 (30 June 2015: HK\$27,296,000) and HK\$2,442,685,000 (30 June 2015: HK\$2,766,905,000), respectively. The Group maintains a sound financial position by financing its operations with internally generated resources, bonds and loans. As at 31 December 2015, the Group had cash and bank deposits of approximately HK\$64,293,000 (30 June 2015: HK\$300,990,000). The current ratio of the Group was approximately 24.0% (30 June 2015: 93.3%).

Total equity of the Group as at 31 December 2015 was approximately HK\$1,350,890,000 (30 June 2015: HK\$1,395,418,000). As at 31 December 2015, the total borrowings of the Group, repayable from within 12 months to 9 years from the end of the reporting period, denominated in RMB900,500,000 were equivalent to HK\$1,072,023,000 (30 June 2015: HK\$1,349,367,000) and three bonds measured at amortised cost was HK\$25,125,000 (30 June 2015: HK\$25,110,000). As at 31 December 2015, the gross debt gearing ratio (i.e. total borrowings and bonds/shareholders' fund) was approximately 81.2% (30 June 2015: 98.5%).

On 2 December 2014, the Company completed a placing of 208,000,000 ordinary shares of HK\$0.01 each at a placing price of HK\$0.335 per share to not less than six placees in accordance with the placing agreement dated 12 November 2014 (the "Placing"). The placees and their ultimate beneficial owners are independent third parties. For further details of the Placing, please refer to the announcements of the Company dated 12 November 2014 and 25 November 2014, respectively. The net proceeds from the Placing after deducting commission and Placing expenses were approximately HK\$68,449,000. The Board was of the view that the Placing was in the interests and for the benefit of the Company and its shareholders as a whole because the Placing on one hand raised additional funds to the Group to support its investments in property operating projects and on the other hand had not increased the finance cost of the Group. As at 31 December 2014, all the net proceeds from the Placing had been utilized to settle part of the consideration of the acquisition of Jiachao which was incorporated in the PRC and is engaged in property investment, general management and agency in the PRC.

The Group has maintained and will continue to maintain a significant amount of working capital on hand in order to maintain a healthy financial position, and adequate resources are expected to be generated from its business operations in meeting its short-term and long-term obligations.

## FINANCING

As at 31 December 2015, the total borrowing facilities of the Group amounted to approximately HK\$1,072,023,000 (30 June 2015: HK\$1,349,367,000), of which, all facilities (30 June 2015: HK\$1,349,367,000) was utilized. In addition, three bonds (30 June 2015: three bonds) amounted to approximately HK\$25,125,000 (30 June 2015: HK\$25,110,000), measured at amortised cost, were arranged with three independent third parties.

The Board believes that the existing financial resources will be sufficient to meet future expansion plans and, if necessary, the Group will be able to obtain additional financing with favourable term.

## CAPITAL STRUCTURE

As at 31 December 2015, the share capital of the Company comprises ordinary shares only.

## FOREIGN EXCHANGE RISK AND INTEREST RATE RISK

During the Period, the Group was not subject to any significant exposure to foreign exchange rates risk as the majority of its transactions were denominated in RMB. Hence, no financial instrument for hedging was employed.

The Board monitors interest rate change exposure and may consider a hedging policy should the need arise.

## CHARGE ON GROUP'S ASSETS

As at 31 December 2015, certain investment properties of the Group with aggregate carrying value of approximately HK\$1,149,131,000 (30 June 2015: HK\$1,149,131,000) were pledged to a bank to secure banking facilities granted to the Group.

As at 30 June 2015, leasehold interest in land of the Group with aggregate carrying value of approximately HK\$3,657,000 was pledged to a bank to secure banking facilities granted to the Group.

## STAFF POLICY

The Group had 172 employees altogether in the PRC and Hong Kong as at 31 December 2015. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC. Moreover, the Group and its employees in the PRC are required to make respective contribution to fund the endowment insurance, unemployment insurance, medical insurance, housing provident fund and employees' compensation insurance at the rates specified in the relevant PRC laws and regulations. The Group has adopted a provident fund scheme as required under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for its employees in Hong Kong.



The Group also provides periodic internal training to its employees.

Three independent non-executive directors are appointed for a term of one year commencing from either 19 September or 15 October each year.

### **CONTINGENT LIABILITIES**

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities.

### **DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES**

At 31 December 2015, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("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 Issuers, were as follows:

#### **Long positions**

(a) *Ordinary shares of HK\$0.01 each of the Company*

<b>Name of director</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Mr. Chen Dong	Held by his spouse ( <i>Note 1</i> )	184,550,000	13.86%
Mr. Chen Jinyan	Held by controlled corporation ( <i>Note 2</i> )	296,740,000	22.29%
Mr. Chen Jinqing	Held by controlled corporation ( <i>Note 3</i> )	83,000,000	6.24%

#### *Notes:*

- (1) Among the 184,550,000 shares, 162,170,000 shares are held by Jinjie Limited, a company incorporated in the British Virgin Islands (the "BVI"), the entire issued share capital of which is beneficially owned by the spouse of Mr. Chen Dong, Ms. Lin Lin and 22,380,000 shares are held by Ms. Lin Lin. Mr. Chen Dong is deemed to be interested in 184,550,000 shares of the Company.



- (2) The shares are held by Fully Chain Limited (“Fully Chain”), a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. Chen Jinyan. Mr. Chen Dong is the younger brother of Mr. Chen Jinyan.
- (3) The shares are held by Ultimate Name Limited, a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. Chen Jinqing. Mr. Chen Jinqing is the youngest brother of Mr. Chen Jinyan and Mr. Chen Dong. All three of them are executive directors.

(b) *Share options*

Name of director	Capacity	Number of share options held	Number of underlying shares
Mr. Chen Jinyan	Beneficial owner	1,900,000	1,900,000
Mr. Chen Jinqing	Held by his spouse ( <i>Note</i> )	2,400,000	2,400,000
Mr. Lin Ye	Beneficial owner	1,040,000	1,040,000
Mr. Yang Zeqiang	Beneficial owner	1,040,000	1,040,000
Ms. Yau Lai Ying	Beneficial owner	1,040,000	1,040,000

*Note:*

Mr. Chen Jinqing, the youngest brother of Mr. Chen Jinyan and Mr. Chen Dong, is deemed to be interested in 2,400,000 options to acquire shares of the Company, being the interest held beneficially by his spouse.

Other than as disclosed above, none of the directors, chief executives or their associates had any interest or short positions in any shares or underlying shares of the Company or any of its associated corporations as at 31 December 2015.

### ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed “Share options” above, at no time during the Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed “Directors’ interests in shares and underlying shares” above, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

#### Long positions – Ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lin Lin	Beneficial owner and interest in a controlled corporation	184,550,000	13.86%
Dresdner VPV N. V.	Investment manager	69,877,600	5.25%

Other than disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2015.

### SHARE OPTIONS

Particulars of the Company’s share option scheme are set out in note 29 to the consolidated financial statements of the Company’s 2015 annual report.

The following table disclosed movements in the Company's share options during the Period:

Grantee	Date of grant	Exercise period	Exercise price HK\$	Outstanding	Granted	Exercised	Outstanding
				at 1.7.2015	during the Period	during the Period	at 31.12.2015
<b>Directors</b>							
Mr. Chen Jinyan	10.7.2008	1.8.2008 to 31.7.2018	0.358	1,900,000	-	-	1,900,000
Mr. Chen Jinqing	10.7.2008	1.8.2008 to 31.7.2018	0.358	2,400,000	-	-	2,400,000
Mr. Lin Ye	22.5.2014	22.5.2014 to 21.5.2024	0.331	1,040,000	-	-	1,040,000
Mr. Yang Zeqiang	22.5.2014	22.5.2014 to 21.5.2024	0.331	1,040,000	-	-	1,040,000
Ms. Yau Lai Ying	22.5.2014	22.5.2014 to 21.5.2024	0.331	1,040,000	-	-	1,040,000
				7,420,000	-	-	7,420,000
<b>Employees</b>							
	10.7.2008	1.8.2008 to 31.7.2018	0.358	11,920,000	-	-	11,920,000
	22.5.2014	22.5.2014 to 21.5.2024	0.331	53,260,000	-	(32,460,000)	20,800,000
				65,180,000	-	(32,460,000)	32,720,000
<b>Granted Total</b>				72,600,000	-	(32,460,000)	40,140,000

*Note:* Mr. Chen Jinqing is deemed to be interested in 2,400,000 share options granted to his spouse on 10 July 2008, to subscribe for 2,400,000 shares which may be exercised between 1 August 2008 and 31 July 2018 (both days inclusive) at an exercise price of HK\$0.358 per share.

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

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CODE ON CORPORATE GOVERNANCE**

The Company is committed to achieve the best corporate governance practices as a listed company. The Board believes that high standards and rigorous corporate governance practices can improve the accountability and transparency of the Company. Consequently, during the Period, the Company complied with the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Group has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company, all directors of the Company have complied with the code of conduct and the required standard set out in the Model Code throughout the Period.

### **AUDIT COMMITTEE**

The Company has an audit committee with terms of reference aligned with the provision of the CG Code as set out in Appendix 14 of the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process, risk management and internal controls of the Group. The audit committee comprised three members, all being independent non-executive directors.

During the Period, the audit committee reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the Period and discussed auditing, risk management, internal control and financial reporting matters, such as the review of the interim report with the management.

By order of the Board

**Chen Jinyan**

*Chairman*

Hong Kong

26 February 2016