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

(to be renamed as Art Group Holdings Limited 錦藝集團控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 565)

2016 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Art Textile Technology International Company Limited (to be renamed as Art Group Holdings Limited 錦藝集團控股有限公司) (the "Company") is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 30 June 2016 together with the comparative figures in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	NOTES	**2016** ***HK$'000***	2015 *HK$'000* (restated)
Continuing operations			
Turnover		**140,033**	21,496
Cost of sales		**(48,881)**	(3,923)
Gross profit		**91,152**	17,573
Other income	*4*	**14,307**	1,081
Administrative expense		**(19,970)**	(43,283)
Other expenses		**(878)**	(852)
Change in fair values of investment properties		**268,095**	101,266
Finance costs	*5*	**(57,876)**	(33,136)
Profit before tax		**294,830**	42,649
Income tax expense	*6*	**(79,112)**	(25,316)
Profit for the year from continuing operations	*7*	**215,718**	17,333

	NOTES	2016 HK$'000	2015 HK$'000 (restated)
Discontinued operations			
Profit/(loss) for the year from discontinued operations (net of tax)		**284,769**	(21,987)
Profit/(loss) for the year	*7*	**500,487**	(4,654)
Other comprehensive (loss)/income			
Reclassification adjustments relating to exchange difference upon disposal of interests in subsidiaries		**(174,666)**	–
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation		**(98,140)**	11
Other comprehensive (loss)/income for the year (net of tax)		**(272,806)**	11
Total comprehensive income/(loss) for the year		**227,681**	(4,643)
Profit/(loss) for the year attributable to:			
Owners of the Company			
– continuing operations		**156,506**	9,546
– discontinued operations		**284,769**	(21,987)
		441,275	(12,441)
Non-controlling interests			
– continuing operations		**59,212**	7,787
– discontinued operations		**–**	–
		500,487	(4,654)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**183,103**	(12,430)
Non-controlling interests		**44,578**	7,787
		227,681	(4,643)
EARNINGS/(LOSS) PER SHARE			
From continuing and discontinued operations			
Basic (HK cents per share)		**33.55**	(1.06)
Diluted (HK cents per share)		**33.30**	(1.04)
From continuing operations			
Basic (HK cents per share)		**11.90**	0.81
Diluted (HK cents per share)		**11.81**	0.79

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

		2016	2015
	NOTES	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**7,345**	95,746
Prepaid lease payments		**–**	18,121
Investment properties		**3,016,666**	2,645,570
Goodwill		**63,549**	34,764
		3,087,560	2,794,201
CURRENT ASSETS			
Inventories		**–**	1,164
Trade and other receivables	*10*	**27,169**	76,036
Bank balances and cash		**62,338**	300,990
		89,507	378,190
CURRENT LIABILITIES			
Trade and other payables	*11*	**107,049**	40,296
Tax liabilities		**7,568**	–
Secured bank and other borrowings		**367,262**	365,190
		481,879	405,486
NET CURRENT LIABILITIES		**(392,372)**	(27,296)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,695,188**	2,766,905

	NOTES	2016 HK$'000	2015 HK$'000
CAPITAL AND RESERVES			
Share capital		**13,321**	12,986
Share premium and reserves		**1,258,852**	1,136,588
Equity attributable to owners of the Company		**1,272,173**	1,149,574
Non-controlling interests		**290,422**	245,844
Total equity		**1,562,595**	1,395,418
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**431,253**	362,200
Secured bank and other borrowings		**676,191**	984,177
Bonds		**25,149**	25,110
		1,132,593	1,371,487
		2,695,188	2,766,905

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange. Its immediate and ultimate holding company is Fully Chain, a private company incorporated in the BVI. Its ultimate controlling party is Mr. Chen Jinyan. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HKD") and the functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in HKD for the convenience of the shareholders because the Company's shares are listed in Hong Kong.

The Company is an investment holding company. Its subsidiaries are engaged in property operating.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties that are measured at fair values at the end of each reporting period as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of Hong Kong Accounting Standard ("HKAS") 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold by the Group in the normal course of business to outside customers, net of discounts and sales related taxes for the year. The Group is engaged in the dyeing process of grey fabrics, manufacture/sales of garment fabrics and trading of textile products and property operating during the year.

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 year ended 30 June 2016.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment result represents the profit or loss from each segment without allocation of income tax expense and central administration costs.

One single tenant from property operating segment contributed to 10 per cent or more of the Group's turnover for the year ended 30 June 2016. The total amount of turnover from this tenant was HK$25,719,000.

Two external customers with each of their turnover amounted to 10 per cent or more of the Group's turnover for the year ended 30 June 2015. The total amount of turnover from the first customer was HK$63,834,000 and from the second customer was HK$43,079,000 and all of them were from textile products segment.

Turnover from major business services:

	2016	2015
	HK$'000	*HK$'000*
		(restated)
Continuing operations:		
Rental income from leasing of properties	**140,033**	21,496
Discontinued operations		
Sales of goods	**–**	326,218
Subcontracting income	**24,127**	26,135
	24,127	352,353
	164,160	373,849

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

	Continuing operations Property operating	**Discontinued operations Textile products**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Year ended 30 June 2016			
Turnover	**140,033**	**24,127**	**164,160**
Segment results	**343,373**	**(19,225)**	**324,148**
Gain on disposal of subsidiaries			**319,277**
Income tax expense			**(79,112)**
Central administration costs			**(63,826)**
Profit for the year			**500,487**
Depreciation	**1,321**	**7,501**	**8,822**

	Continuing operations Property operating *HK$'000*	Discontinued operations Textile products *HK$'000*	Total *HK$'000*
Year ended 30 June 2015			
Turnover	21,496	352,353	373,849
Segment results	49,375	(21,775)	27,600
Income tax expense			(25,555)
Central administration costs			(6,699)
Loss for the year			(4,654)
Depreciation	27	18,168	18,195

No geographical market analysis is provided as the Group's turnover and contribution to segment results were substantially derived from the tenants and customers in the PRC and the assets are substantially located in the PRC.

4. OTHER INCOME

	2016 *HK$'000*	2015 *HK$'000* (restated)
Continuing operations:		
Bank interest income	**109**	119
Car parking income	**4,448**	962
Service income	**4,557**	–
Reversal of overprovision of other payables	**1,806**	–
Exchange gain	**88**	–
Others	**3,299**	–
	14,307	1,081
Discontinued operations		
Bank interest income	**152**	3,051
Gain on disposal of property, plant and equipment	**–**	294
Reversal of overprovision of other payables	**–**	3,010
Exchange gain	**–**	638
Others	**122**	204
	274	7,197
	14,581	8,278

5. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
		(restated)
Continuing operations:		
Interest on		
– Bank and other borrowings wholly repayable within five years	**15,766**	17,699
– Bank and other borrowings wholly repayable over five years	**40,044**	13,553
– Bonds	**2,066**	1,884
	57,876	33,136
Discontinued operations		
Interest on		
– Bank and other borrowings wholly repayable within five years	**1,540**	3,494
	59,416	36,630

6. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Income tax recognised in profit and loss		
PRC Enterprise Income Tax ("EIT")		
– Current income tax	**8,577**	–
Deferred tax	**70,535**	25,316
	79,112	25,316
Discontinued operations		
Income tax recognised in profit and loss		
PRC EIT		
– Current income tax	**–**	239

Hong Kong Profits Tax was calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the financial year. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profits arising in Hong Kong for both years.

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 deferred tax (2015: Nil) has been provided for in the consolidated financial statements in respect of the undistributed profits earned by the Company's PRC subsidiaries attributable to the Group under the EIT Law that are subject to withholding tax upon the distribution of such profits to the shareholders outside the PRC.

7. PROFIT/(LOSS) FOR THE YEAR

	2016	2015
	HK$'000	*HK$'000*
		(restated)
Profit for the year has been arrived at after charging/(crediting):		
Continuing operations		
Staff costs		
– directors' emoluments	**3,848**	3,854
– other staff's salaries and other benefits	**8,156**	2,751
– other staff's retirement benefit scheme contributions	**1,420**	289
	13,424	6,894
Impairment of doubtful debts	**–**	831
Auditor's remuneration	**900**	850
Depreciation of property, plant and equipment	**1,324**	30
Exchange loss, net	**562**	13
Loss on disposal of property, plant and equipment	**–**	8

	2016	2015
	HK$'000	*HK$'000*
		(restated)
Profit/(loss) for the year has been arrived at after charging/(crediting):		
Discontinued operations		
Staff costs		
– other staff's salaries and other benefits	**7,411**	18,071
– other staff's retirement benefit scheme contributions	**1,280**	3,252
	8,691	21,323
Allowance for doubtful debts	**–**	(803)
Depreciation of property, plant and equipment	**7,501**	18,168
Exchange loss/(gain), net	**14,551**	(637)
Gain on disposal of property, plant and equipment	**–**	(105)
Release of prepaid lease payments	**234**	498
Research and development costs	**127**	896

8. DIVIDENDS PAID

No dividend was paid or proposed for the year ended 30 June 2016 nor has any dividend been proposed since the end of the reporting period (2015: Nil).

9. (LOSS)/EARNINGS PER SHARE

	2016	2015
	HK$'000	*HK$'000*
EARNINGS/(LOSS) PER SHARE		
Basic (HK cents per share)		
– continuing operations	**11.90**	0.81
– discontinued operations	**21.65**	(1.87)
	33.55	(1.06)
Diluted (HK cents per share)		
– continuing operations	**11.81**	0.79
– discontinued operations	**21.49**	(1.83)
	33.30	(1.04)

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

	2016	2015
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) for the year used in calculation of basic and diluted earnings/(loss) per share from discounted operations	**284,769**	(21,987)
Profit for the year used in the calculation of basic and diluted earnings per share from continuing operations	**156,506**	9,546
Profit/(loss) for the year attributable to the owners of the Company and earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share	**441,275**	(12,441)

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**1,315,180**	1,175,296
Effect of dilutive potential ordinary shares in respect of share options issued by the Company	**10,158**	26,023
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**1,325,338**	1,201,319

10. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**10,303**	7,896
Less: Allowance for doubtful debts	**–**	(884)
	10,303	7,012
Deposits to suppliers	**–**	13,336
Deposits paid for acquisition of a subsidiary	**–**	55,190
Prepayment and other receivables	**16,866**	–
Prepaid lease payments – current portion	**–**	498
	27,169	76,036

At 30 June 2016, all trade receivables of the Group were in the functional currency of the relevant group entities.

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:

	2016	2015
	HK$'000	*HK$'000*
0 – 90 days	**9,350**	6,435
Over 90 days	**953**	577
Trade receivables	**10,303**	7,012

Before accepting any new tenants, the Group assesses the potential tenants' credit quality. 91% (2015: 92%) of the trade receivables that are neither past due nor impaired have good credit rating under internal credit assessment adopted by the Group.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK$953,000 (2015: HK$577,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables was between 0 to 90 days (2015: 0 to 60 days) for the year ended 30 June 2016.

Ageing of trade receivables which are past due but not impaired

	2016	2015
	HK$'000	*HK$'000*
1 – 60 days	**–**	–
61 – 90 days	**–**	–
Over 90 days	**953**	577
Total	**953**	577

No impairment loss was provided by the Group for the year ended 30 June 2016 (2015: HK$831,000). The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts:

	2016	2015
	HK$'000	*HK$'000*
Balance at beginning of the year	**884**	856
Impairment loss recognised on receivables	**–**	831
Reversal of impairment loss recognised	**–**	(803)
Disposal of subsidiaries	**(53)**	–
Bad debts written off	**(782)**	–
Exchange realignment	**(49)**	–
Balance at end of the year	**–**	884

11. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**–**	3,521
Received in advance	**20,462**	9,423
Deposits received from tenants	**21,832**	11,181
Amount due to substantial shareholder *(Note)*	**52,365**	–
Accrued charges and other payables	**12,390**	16,171
	107,049	40,296

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.

The average credit period on trade payables was 45 days for the year ended 30 June 2015.

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

	2016	2015
	HK$'000	*HK$'000*
0 – 90 days	**–**	3,425
Over 90 days	**–**	96
Trade payables	**–**	3,521

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL AND FINANCIAL REVIEW

Continuing Operations

The Group was engaged in the property operating segment during the year 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 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 is a one-stop shopping paradise with over 160 tenants offering a wide range of services and goods including shopping, dining and entertainment, such as a renowned department store, a cinema, KTV, jewellery and watches, beauty, electrical appliances, international labels for fashion, lifestyle, casual wear/sport, kid's paradise and food and beverages restaurants. The whole Jiachao's Shopping Mall was rented out as at 30 June 2016.

Furthermore, the Group continued to diversify its operations into different kinds of business during the current year and more resources had been put into the property operating segment in order to explore future prospects and develop relevant markets. On 26 June 2015, the Board announced that 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") at a cash consideration of RMB218,000,000. The major asset held by Jiacong is 164 shops in a giant theme shopping mall (the "Jiacong's Shops") situated in Zhengzhou City, Henan Province, the PRC. Jiacong holds the Jiacong's Shops 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 30 June 2016, all of the Jiacong's Shops had been rented out to tenants selling textile materials, accessories and products for a term of five years.

During the year, 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 a shopping mall with a gross floor area of approximately 60,658 square meters (the "Zone C Shopping Mall") for a term of two years. The Zone C Shopping Mall is a shopping mall located adjacent to the Jiachao's Shopping Mall. Jiachao promoted and further rented out the Zone C Shopping Mall to independent tenants. Jiachao has an advantage of having an existing team of caliber and experienced management and staff to run the Zone C Shopping Mall. As such, the extra costs for running the Zone C Shopping Mall is minimal to Jiachao while it is earning considerable amount of rental income from renting out the Zone C Shopping Mall to target tenants. 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 brand choices. The management of both the Jiachao's Shopping Mall and the 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. All the commercial space of the Zone C Shopping Mall had been leased out as retail shops, restaurants, entertainment and/or leisure use which offers a wide range of services and goods with over 110 tenants including a cinema, an aquarium, watches, beauty, international labels for fashion, lifestyle, casual wear/sport, kid's paradise and food and beverages restaurants.

Turnover

For the financial year ended 30 June 2016, the Group recorded a turnover of approximately HK$140,033,000 (2015: HK$21,496,000), approximately 551.4% more than that in 2015. Since the Group holds the Jiachao's Shopping Mall and the Jiacong's Shops as investment properties during the current year, turnover of the property operating segment included the monthly incomes of rental, management and operating services received and receivable from the tenants. Turnover of the property operating segment also included the incomes generated from renting out the Zone C Shopping Mall to target tenants. On the contrary, due to the completion of the acquisition took place on 1 April 2015, only three-month turnover of the Jiachao's Shopping Mall was recorded in the year ended 30 June 2015.

Gross Profit

The gross profit margin was approximately 65.1% for the year ended 30 June 2016, compared with that for the year ended 30 June 2015 of approximately 81.8%. 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, repair and maintenance fees etc. Decrease in gross profit margin was a result of more investment properties with variance in each of their costs of sales composition held by the Group during the current year.

Profit for the Year

The Group's profit incurred for the property operating segment for the year ended 30 June 2016 was approximately HK$215,718,000 (2015: HK$17,333,000). An increase in the profit for the current year was because of the whole year operation of the Jiachao's Shopping Mall and additional acquisition of the Jiacong's Shops and the management of the Zone C Shopping Mall throughout this year, as well as a revaluation gain arisen from the valuation of two investment properties, the Jiachao's Shopping Mall and the Jiacong's Shops. Simultaneously, the profit margin was 154.0% (2015: 80.6%) for the year.

Other Income

Other income for the year ended 30 June 2016 was approximately HK$14,307,000 (2015: HK$1,081,000), which was substantially more than that in 2015. Such increase was attributable to other kinds of incomes earned by Jiachao, such as car parking fees and other services, during the year.

Expenses

Administrative expenses amounted to approximately HK$19,970,000 (2015: HK$43,283,000), representing approximately 14.3% (2015: 201.4%) of turnover for the year ended 30 June 2016. Administrative expenses decreased by approximately 53.9% when compared with that of 2015 because of written off of handling charges of bank loans incurred by Jiachao and professional fees incurred for the acquisitions carried out during the year ended 30 June 2015.

Other expenses amounted to approximately HK$878,000 (2015: HK$852,000), representing approximately 0.6% (2015: 4.0%) of turnover for the year ended 30 June 2016 which was maintained at the same level as that for the year ended 30 June 2015.

Finance costs amounted to approximately HK$57,876,000 (2015: HK$33,136,000), representing approximately 41.3% (2015: 154.1%) of turnover for the year ended 30 June 2016. The substantial increase was due to the undertaking of bank loans and other borrowings arranged by Jiachao together with its interest expenses paid/payable throughout the whole year.

The carrying value of the Group's investment properties as at 30 June 2016 of approximately HK$3,016,666,000 (2015: HK$2,645,570,000) was stated at fair value based on an independent valuation as at that date, which produced a revaluation gain of HK$268,095,000 (2015: HK$101,266,000), mainly reflecting the continuous rental growth of the investment properties. The attributable net revaluation gain of HK$150,803,000 (2015: HK$56,962,000), after deducting related deferred tax and non-controlling interests, was credited to the consolidated income statement.

Dividend

The Board does not recommend the payment of a final dividend for the year ended 30 June 2016 (2015: 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 from July 2015 to December 2015 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 current year 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 year ended 30 June 2016, the Disposal Group recorded a turnover of approximately HK$24,127,000 (2015: HK$352,353,000), approximately 93.2% less than that in 2015. The material 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 was 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 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 provided by its long-term relationship customers and new customers. Therefore, for the year ended 30 June 2015, the turnover of the Disposal Group's textile products segment consisted of incomes from sale of garment fabrics and textile materials and from dyeing process of grey fabrics; while for the year ended 30 June 2016, only income from dyeing process of grey fabrics and limited income from sale of textile materials was recognized by the Disposal Group till the completion of its disposal at the end of 2015.

Gross Loss

The gross loss margin was approximately 43.4% for the year ended 30 June 2016, compared with the gross loss margin for the year ended 30 June 2015 of approximately 0.4%. 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 processing costs, such as salaries and wages and depreciation costs, increased the average cost of processing which in turn also brought down the gross profit margin of the textile products segment. The gross loss margin increased substantially for the current year because the above situations became server than the previous year and hence, further deteriorated the margin.

Profit/(Loss) for the Year

The Disposal Group earned a profit for the year ended 30 June 2016 while the Disposal Group recorded a loss for the year ended 30 June 2015. The Disposal Group's profit earned during the current year was approximately HK$284,769,000 (loss in 2015: HK$21,987,000) 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 current year 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 factors contributed to the increase in 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, and (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 current year as a consequence of the disposal of the textile products segment on 31 December 2015 which subsequently made the profit margin increase materially from approximately negative 6.2% for the year ended 30 June 2015 to positive 1,180.3% for the year ended 30 June 2016.

Other Income

The Disposal Group's other income for the year ended 30 June 2016 was approximately HK$274,000 (2015: HK$7,197,000), which was approximately 96.2% less than that in 2015. Such decrease was attributable to the drop of interest income as a consequence of reduction in bank deposits throughout the current year.

Expenses

Administrative expenses amounted to approximately HK$6,328,000 (2015: HK$14,612,000), representing approximately 26.2% (2015: 4.1%) of the turnover for the year ended 30 June 2016. Administrative expenses decreased by approximately 56.7% as the Disposal Group was disposed of on 31 December 2015.

Selling and distribution costs amounted to approximately HK$1,766,000 (2015: HK$8,977,000), representing approximately 7.3% (2015: 2.5%) of the turnover for the year ended 30 June 2016. Selling and distribution costs decreased by approximately 80.3% when compared with that of 2015 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 long-term relationship customers since the end of 2014. Accordingly, less marketing and promotion expenses were incurred during the current year.

Other expenses amounted to approximately HK$14,677,000 (2015: HK$283,000), representing approximately 60.8% (2015: 0.08%) of the turnover for the year ended 30 June 2016. The significant increase was due to material devaluation of RMB by the PRC government implemented during the current year.

Finance costs amounted to approximately HK$1,540,000 (2015: HK$3,494,000), representing approximately 6.4% (2015: 1.0%) of the turnover for the year ended 30 June 2016. The decrease was due to the drop of the interest rates of bank loans adjusted by People's Bank of China during the current year and the Disposal Group was disposed of on 31 December 2015.

Gain on disposal of discontinued operations amounted to approximately HK$319,277,000 (2015: Nil), representing approximately 1,323.3% (2015: Nil) of the turnover for the year ended 30 June 2016. This was attributable to the disposal of net assets, statutory reserves and cumulative exchange differences of a few subsidiaries that were 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. Substantial resources have been placed in the property operating business to explore future prospects and develop the relevant markets, with a view to magnify the Company's development 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, Hennan Province, the PRC and were acquired in 2015 for rental purpose.

The Group's long-term plans are to upgrade its tenants of the Jiachao's Shopping Mall by offering tenancies to more popular brands and 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 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 a giant theme shopping mall selling textile materials, accessories and products. The extensive knowledge, experience and network of the directors of the Company 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.

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 the long-term.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group had net current liabilities and total assets less current liabilities of approximately HK$392,372,000 (2015: HK$27,296,000) and HK$2,695,188,000 (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 30 June 2016, the Group had cash and bank deposits of approximately HK$62,338,000 (2015: HK$300,990,000). The current ratio of the Group was approximately 18.6% (2015: 93.3%).

Total equity of the Group as at 30 June 2016 was approximately HK$1,562,595,000 (2015: HK$1,395,418,000). As at 30 June 2016, the total borrowings of the Group, repayable from within 12 months to 9 years from the end of the reporting period, denominated in RMB876,500,000 were equivalent to HK$1,043,453,000 (2015: HK$1,349,367,000) and three bonds measured at amortised cost was HK$25,149,000 (2015: HK$25,110,000). As at 30 June 2016, the gross debt gearing ratio (i.e. total borrowings and bonds/shareholders' fund) was approximately 68.4% (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 30 June 2016, the total borrowing facilities of the Group amounted to approximately HK$1,043,453,000 (2015: HK$1,349,367,000), of which, all facilities (2015: all facilities) was utilized. In addition, three bonds (2015: three bonds) amounted to approximately HK$25,149,000 (2015: HK$25,110,000), measured at amortised cost, was 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 30 June 2016, the share capital of the Company comprises ordinary shares only.

FOREIGN EXCHANGE RISK AND INTEREST RATE RISK

During the current year, 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 30 June 2016, certain investment properties of the Group with aggregate carrying values of approximately HK $1,203,282,000 (2015: HK$1,149,131,000) were pledged to a bank to secure banking facilities granted to the Group. As at 30 June 2015, certain leasehold interest in land of the Group with aggregate carrying values of approximately HK$3,657,000 were pledged to a bank to secure banking facilities granted to the Group.

CAPITAL EXPENDITURE

During the year ended 30 June 2016, the Group invested approximately HK$11,663,000 in property, plant and equipment; all was used for purchase of furniture and fixtures, office equipment, motor vehicles and leasehold improvement.

During the year ended 30 June 2015, the Group invested approximately HK$22,631,000 in property, plant and equipment, of which 5.5% was used for purchase of plant and machinery, 92.8% for construction of auxiliary facilities, and the remaining was used for purchase of other property, plant and equipment.

As at 30 June 2016, the Group had no capital commitments (2015: approximately HK$5,229,000) in property, plant and equipment. The capital commitments for the year ended 30 June 2015 were funded by internally generated resources and bank loans.

STAFF POLICY

The Group had 181 employees altogether in the PRC and Hong Kong as at 30 June 2016. 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 1 year commencing from either on 11 April, 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.

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

During the year ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive directors of the Company. The principal duties of the audit committee include the review of the Group's financial reporting procedures, risk management and internal control and financial results. The audit committee has reviewed with the management and the external auditor the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the consolidated financial statements and annual results for the year ended 30 June 2016.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 30 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (THE "MODEL CODE")

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. All directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 30 June 2016.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at http://arttextile.etnet.com.hk. An annual report for the year ended 30 June 2016 will be dispatched to the shareholders of the Company and available on the above websites in due course.

By order of the board
Art Textile Technology International Company Limited
(to be renamed as Art Group Holdings Limited)
Chen Jinyan
Chairman

Hong Kong, 23 September 2016

As at the date of this announcement, the executive directors of the Company are Mr. Chen Jinyan, Mr. Chen Dong and Mr. Chen Jinqing; and the independent non-executive directors of the Company are Mr. Kwan Chi Fai, Mr. Lin Ye and Mr. Yang Zeqiang.