

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



福田實業(集團)有限公司

Fountain Set (Holdings) Limited

(Incorporated in Hong Kong with limited liability)

(Stock code: 420)

ANNOUNCEMENT OF SECOND INTERIM RESULTS FOR THE TWELVE MONTHS ENDED 31 AUGUST 2012

The Board of Directors would like to announce that the unaudited interim results of the Company and its subsidiaries (the "Group") for the twelve months ended 31 August 2012 are as follows:

Condensed Consolidated Income Statement 簡明綜合收益表

For the twelve months ended 31 August 2012
截至2012年8月31日止12個月

		Twelve months ended 截至下列日期止12個月 31 August 8月31日		
		2012 2012年 HK\$'000 千港元 (unaudited) (未經審核)	2011 2011年 HK\$'000 千港元 (audited) (已經審核)	
	Notes 附註			
Revenue	營業額	3	6,959,620	7,593,889
Cost of sales	銷售成本		(6,407,547)	(6,429,052)
Gross profit	毛利		552,073	1,164,837
Other income and gains	其他收入及收益		96,395	54,967
Distribution and selling expenses	分銷及銷售費用		(229,163)	(189,496)
Administrative expenses	行政費用		(666,965)	(613,459)
Other expenses	其他費用		(2,899)	(22,281)
Finance costs	融資成本	4	(71,922)	(71,589)
Net gain on disposal of subsidiaries	出售附屬公司之所得 收益淨額		43,111	20,212
(Loss) profit before taxation	除稅前(虧損)盈利		(279,370)	343,191
Income tax expense	所得稅支出	5	(12,234)	(103,473)
(Loss) profit for the period/ financial year	是期間／財政年度(虧損) 盈利	6	(291,604)	239,718
(Loss) profit for the period/ financial year attributable to:	應佔是期間／財政年度 (虧損)盈利：			
Owners of the Company	本公司擁有人		(289,145)	210,886
Non-controlling interests	非控股權益		(2,459)	28,832
			(291,604)	239,718
			HK cents 港仙	HK cents 港仙
(Loss) earnings per share	每股(虧損)盈利	8	(32.4)	26.6
Basic	基本		(32.4)	26.6
Diluted	攤薄		(32.4)	26.6

Condensed Consolidated Statement of Comprehensive Income

簡明綜合全面收益表

For the twelve months ended 31 August 2012
截至2012年8月31日止12個月

		Twelve months ended 截至下列日期止12個月 31 August 8月31日	
		2012 2012年 HK\$'000 千港元 (unaudited) (未經審核)	2011 2011年 HK\$'000 千港元 (audited) (已經審核)
(Loss) profit for the period/financial year	是期間／財政年度(虧損)盈利	(291,604)	239,718
Other comprehensive (expense) income:	其他全面(開支)收益：		
Exchange differences arising on translation of foreign operations	換算海外業務產生之匯兌差額	(65)	7,835
Reclassification adjustment of translation reserve upon disposal of subsidiaries	出售附屬公司時匯兌儲備之重新分類調整	30	(5,166)
Other comprehensive (expense) income for the period/financial year	是期間／財政年度其他全面(開支)收益	(35)	2,669
Total comprehensive (expense) income for the period/financial year	是期間／財政年度全面(開支)收益總值	(291,639)	242,387
Total comprehensive (expense) income for the period/financial year attributable to:	應佔是期間／財政年度全面(開支)收益總值：		
Owners of the Company	本公司擁有人	(289,378)	209,246
Non-controlling interests	非控股權益	(2,261)	33,141
		(291,639)	242,387

Condensed Consolidated Statement of Financial Position

簡明綜合財務狀況表

At 31 August 2012
於2012年8月31日

		At 31 August 8月31日		2011 2011年 HK\$'000 千港元 (audited) (已經審核)
	Notes 附註	2012 2012年 HK\$'000 千港元 (unaudited) (未經審核)		2011 2011年 HK\$'000 千港元 (audited) (已經審核)
Non-current assets	非流動資產			
Investment properties	投資物業	9	2,734	–
Property, plant and equipment	物業、機器及設備	9	1,900,178	2,155,311
Prepaid lease payments	預付租賃款項			
– non-current portion	– 非流動部份		107,546	119,207
Deposits paid for acquisition of property, plant and equipment	購買物業、機器及設備之已付按金		17,290	–
Prepayments for and rights under life insurance policies	人壽保險保單預付款項及權利	10	36,545	–
Deferred tax assets	遞延稅項資產		25,742	25,689
			2,090,035	2,300,207
Current assets	流動資產			
Inventories	存貨	11	1,538,014	1,683,454
Trade and bills receivables	營業及票據應收款項	12	1,314,766	1,275,741
Prepayments, deposits and other receivables	預付款項、按金及其他應收款項	12	204,109	214,193
Prepaid lease payments	預付租賃款項			
– current portion	– 流動部份		2,525	2,732
Derivative financial instruments	衍生金融工具		242	4,984
Tax recoverable	可收回稅項		3,055	3,039
Short-term bank deposits	短期銀行存款		333,054	106,075
Bank balances and cash	銀行結存及現金		671,373	1,018,477
			4,067,138	4,308,695
Current liabilities	流動負債			
Trade and bills payables	營業及票據應付款項	13	818,468	698,433
Other payables and accruals	其他應付款項及應計費用	13	319,740	320,661
Amounts due to non-controlling shareholders	欠非控股股東款項		80,100	80,100
Consideration payable	應付代價	14	–	23,501
Deferred income – current portion	遞延收入 – 流動部份		1,458	1,458
Derivative financial instruments	衍生金融工具		23,559	108
Tax payable	應付稅項		100,189	131,311
Bank borrowings	銀行借貸			
– due within one year	– 一年內到期	15	1,486,656	1,443,532
Bank overdrafts	銀行透支		9,221	–
			2,839,391	2,699,104
Net current assets	流動資產淨值		1,227,747	1,609,591
Total assets less current liabilities	資產總值減流動負債		3,317,782	3,909,798

Condensed Consolidated Statement of Financial Position

簡明綜合財務狀況表

At 31 August 2012
於2012年8月31日

		At 31 August 8月31日	
		2012 2012年 HK\$'000 千港元 (unaudited) (未經審核)	2011 2011年 HK\$'000 千港元 (audited) (已經審核)
	Notes 附註		
Non-current liabilities	非流動負債		
Deferred income	遞延收入		
– non-current portion	– 非流動部份	65,620	67,080
Derivative financial instruments	衍生金融工具	–	45,583
Bank borrowings	銀行借貸		
– due after one year	– 一年後到期	3,611	755,854
Deferred tax liabilities	遞延稅項負債	3,015	3,055
		<u>72,246</u>	<u>871,572</u>
Net assets	資產淨值	<u>3,245,536</u>	<u>3,038,226</u>
Capital and reserves	資本及儲備		
Share capital	股本	240,609	158,802
Reserves	儲備	2,816,693	2,679,224
Equity attributable to owners of the Company	本公司擁有人應佔權益	3,057,302	2,838,026
Non-controlling interests	非控股權益	188,234	200,200
Total equity	權益總值	<u>3,245,536</u>	<u>3,038,226</u>

NOTES

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" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Since 6 June 2012, Chinatex Corporation ("Chinatex"), a company established in the People's Republic of China (the "PRC"), has held approximately 34% of the issued share capital of the Company. In view of the fact that the principal operating subsidiaries of the Company established in the PRC are statutorily required to have their financial year end date set at 31 December, pursuant to a resolution of the board of directors dated 10 August 2012, the financial year of the Company (together with its subsidiaries collectively referred to as the "Group") has been changed from 31 August to 31 December. Accordingly, these condensed consolidated financial statements now presented cover a period of twelve months from 1 September 2011 to 31 August 2012. The comparative figures presented for the condensed consolidated income statement, condensed consolidated statement of comprehensive income and related notes cover the financial year from 1 September 2010 to 31 August 2011.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the twelve months ended 31 August 2012 are the same as those followed in the preparation of the Group's annual financial statements for the financial year ended 31 August 2011 except for the accounting policy for prepayments for and rights under life insurance policies newly adopted by the Group which has been disclosed below.

附註

1. 編製基準

本簡明綜合財務報表乃根據香港聯合交易所有限公司證券上市規則(「上市規則」)附錄16之適用披露規定及按照香港會計師公會(「香港會計師公會」)頒佈之香港會計準則(「香港會計準則」)第34號「中期財務申報」而編製。

自2012年6月6日起，於中華人民共和國(「中國」)註冊成立之中國中紡集團公司(「中紡」)已持有本公司已發行股本約34%。由於本公司在中國成立之主要營業附屬公司的法定財政年度結算日均為12月31日，根據日期為2012年8月10日之董事會決議案，本公司(連同其附屬公司，統稱為「本集團」)之財政年度已由8月31日更改為12月31日。因此，現時所呈列之該等簡明綜合財務報表涵蓋由2011年9月1日起至2012年8月31日止12個月。而簡明綜合收益表、簡明綜合全面收益表所呈列之比較數字以及相關附註涵蓋由2010年9月1日起至2011年8月31日止之財政年度。

2. 主要會計政策

本簡明綜合財務報表(除部份金融工具以公平價值列出外)乃按歷史成本基準編製。

截至2012年8月31日止12個月之簡明綜合財務報表所採用之會計政策及計算方法與編製本集團截至2011年8月31日止財政年度之全年財務報表所遵循者相同，惟下文所述本集團就人壽保險保單預付款項及權利新採納之會計政策除外。

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Prepayments for and rights under life insurance policies

Prepaid life insurance premium component of the relevant contracts is amortised over the life insurance policy period on a straight-line basis. The remaining component of the contracts contains discretionary participation feature as well as a guaranteed element. Under the discretionary participation feature, the relevant insurers have full discretion to declare interest on top of the guaranteed interest on a monthly basis. Interest income is recognised upon monthly declaration of the interest by the insurers. Rights under life insurance policies are stated in the condensed consolidated statement of financial position at cost plus accumulated interest earned and minus insurance costs and administrative charges.

Moreover, in the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 September 2011.

- Improvements to HKFRSs issued in 2010 that are effective for annual periods beginning on or after 1 January 2011
- HKFRS 7 (Amendments) "Disclosures – Transfers of Financial Assets"
- HKAS 24 (as revised in 2009) "Related Party Disclosures"
- Amendments to HK(IFRIC) – Int 14 "Prepayments of a Minimum Funding Requirement"

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. 主要會計政策(續)

人壽保險保單預付款項及權利

相關合約之預付人壽保險保費部份按人壽保險保單年期以直線法攤銷。合約之餘下部份具備酌情分紅特點及包含保證成份。根據酌情分紅特點，相關保險公司每月可全權酌情在保證利息以外宣派利息。利息收入於保險公司每月宣派利息時確認。人壽保險保單權利於簡明綜合財務狀況表中按成本加所賺取之累計利息，扣除保費及行政費用列賬。

此外，於本中期期間，本集團首次應用下列由香港會計師公會頒佈並於本集團2011年9月1日開始之財政年度生效之新訂及經修訂準則、修訂本及詮釋（「新訂及經修訂香港財務報告準則」）。

- 2010年頒佈之香港財務報告準則的改進，於2011年1月1日或之後開始之年度期間生效
- 香港財務報告準則第7號（修訂本）「披露—金融資產之轉撥」
- 香港會計準則第24號（於2009年經修訂）「關連方披露」
- 香港（國際財務報告詮釋委員會）—詮釋第14號之修訂本「最低資本規定之預付款項」

於本中期期間應用上述新訂或經修訂香港財務報告準則並無對該等簡明綜合財務報表所呈報之金額及／或該等簡明綜合財務報表所披露之事項造成重大影響。

3. REVENUE AND SEGMENT INFORMATION

The board of directors of the Company, i.e. the chief operating decision maker, regularly reviews the operating results and financial information based on distinct geographical areas of location of customers, including Hong Kong (place of domicile of the Group), the PRC, Taiwan, Korea, Sri Lanka, America, Europe and Others (i.e. representing other geographical locations mainly Singapore, Bangladesh and Macau). All of these geographical areas are operating segments except "Others" which is an aggregation of operating segments.

The following is an analysis of the Group's revenue and profit from the production and sales of dyed fabrics, sewing threads, yarns and garments and results by reportable segment for the period under review.

Twelve months ended 31 August 2012

3. 營業額及分類資料

本公司董事會（即首席營運決策者）根據客戶所在地區位於不同的地域位置定期審閱經營業績及財務資料，包括香港（本集團所屬地）、中國、台灣、韓國、斯里蘭卡、美洲、歐洲及其他地區（即指其他地域位置，主要為新加坡、孟加拉及澳門），所有該等地域位置為營運分類，而「其他地區」則為綜合之營運分類。

以下為本集團源自製造及銷售色布、縫紉線、紗及成衣之營業額及盈利於回顧期內按可申報分類所作之分析。

截至2012年8月31日止12個月

		Segment										
		Hong Kong	The PRC	Taiwan	Korea	Sri Lanka	America	Europe	Others	total	Eliminations	Consolidated
		香港	中國	台灣	韓國	斯里蘭卡	美洲	歐洲	其他地區	分類總值	對銷	綜合
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
REVENUE	營業額											
External sales	對外銷售	1,832,667	1,222,245	936,838	1,007,695	726,080	289,490	159,796	784,809	6,959,620	-	6,959,620
Inter-segment sales (note)	分類間銷售 (附註)	5,177,793	3,227,200	-	-	459,200	107,962	-	229,274	9,201,429	(9,201,429)	-
Total segment revenue	分類營業額總值	7,010,460	4,449,445	936,838	1,007,695	1,185,280	397,452	159,796	1,014,083	16,161,049	(9,201,429)	6,959,620
RESULTS	業績											
Segment profit	分類盈利	101,486	47,111	48,495	52,629	21,560	24,471	8,024	41,545			345,321
Interest income	利息收入											11,981
Unallocated income	未分配收入											3,548
Unallocated expenses	未分配支出											(611,409)
Finance costs	融資成本											(71,922)
Net gain on disposal of subsidiaries	出售附屬公司之所得 收益淨額											43,111
Loss before taxation	除稅前虧損											(279,370)

3. REVENUE AND SEGMENT INFORMATION (Continued)

Financial year ended 31 August 2011

3. 營業額及分類資料(續)

截至2011年8月31日止財政年度

		Hong Kong	The PRC	Taiwan	Korea	Sri Lanka	America	Europe	Others	Segment total	Eliminations	Consolidated
		香港	中國	台灣	韓國	斯里蘭卡	美洲	歐洲	其他地區	分類總值	對銷	綜合
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
REVENUE	營業額											
External sales	對外銷售	2,090,673	1,484,926	1,072,529	782,444	748,313	331,627	81,133	1,002,244	7,593,889	-	7,593,889
Inter-segment sales (note)	分類間銷售(附註)	4,832,987	2,719,455	-	-	486,374	85,574	-	65,462	8,189,852	(8,189,852)	-
Total segment revenue	分類營業額總值	6,923,660	4,204,381	1,072,529	782,444	1,234,687	417,201	81,133	1,067,706	15,783,741	(8,189,852)	7,593,889
RESULTS	業績											
Segment profit	分類盈利	274,480	188,802	153,923	113,239	79,632	13,657	9,704	140,517			973,954
Interest income	利息收入											9,779
Unallocated income	未分配收入											4,316
Unallocated expenses	未分配支出											(593,481)
Finance costs	融資成本											(71,589)
Net gain on disposal of subsidiaries	出售附屬公司之所得 收益淨額											20,212
Profit before taxation	除稅前盈利											343,191

Note: Inter-segment sales are charged at prices with reference to the prevailing market rates.

附註：分類間銷售之價格乃參照當時之市場價格而釐定。

Segment profit represents the profit earned by each segment without allocation of central administration costs and other expenses (including non-production related employee benefits expense, directors' emoluments, bank charges, etc.), depreciation charges, interest income, loss on disposal/written-off of property, plant and equipment, net loss/gain from derivative financial instruments and finance costs. This is the measure reported to the board of directors of the Company for the purposes of resource allocation and performance assessment.

分類盈利乃指各分類所賺取的盈利，當中並沒有計入中央行政成本及其他費用(包括非有關生產之僱員福利支出、董事酬金、銀行費用等)、折舊、利息收入、出售／註銷物業、機器及設備之虧損、衍生金融工具之虧損／收益淨額及融資成本。此乃為資源分配及績效評估而向本公司董事會匯報之基準。

4. FINANCE COSTS

4. 融資成本

Twelve months ended
截至下列日期止12個月

31 August

8月31日

2012

2011

2012年

2011年

HK\$'000

HK\$'000

千港元

千港元

Finance costs on:

融資成本：

Bank borrowings wholly repayable
within five years

須於五年內全部償還
之銀行借貸

71,922

70,904

Imputed interest expense on
consideration payable (note 14)

應付代價之推算利息開支
(附註14)

—

685

71,922

71,589

5. INCOME TAX EXPENSE

5. 所得稅支出

		Twelve months ended 截至下列日期止12個月	
		31 August 8月31日	
		2012 2012年 HK\$'000 千港元	2011 2011年 HK\$'000 千港元
Current tax:	是期間稅項：		
Hong Kong	香港	585	52,164
The PRC	中國	6,686	9,396
Other jurisdictions	其他司法地區	4,182	3,318
		<u>11,453</u>	<u>64,878</u>
Under(over)provision in prior years:	過往年度撥備不足(超額撥備)：		
Hong Kong	香港	585	9
The PRC	中國	576	(1,865)
Other jurisdictions	其他司法地區	(288)	497
		<u>873</u>	<u>(1,359)</u>
Provision for the tax audit	稅務審查撥備	<u>–</u>	<u>41,000</u>
		<u>12,326</u>	<u>104,519</u>
Deferred tax:	遞延稅項：		
Hong Kong	香港	–	78
The PRC	中國	(371)	(729)
Other jurisdictions	其他司法地區	279	(395)
		<u>(92)</u>	<u>(1,046)</u>
		<u>12,234</u>	<u>103,473</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period/financial year.

香港利得稅乃按是期間／財政年度之估計應課稅盈利以16.5%計算。

5. INCOME TAX EXPENSE (Continued)

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT law, the tax rate of the PRC subsidiaries is 25% starting from 1 January 2008 onwards. Certain of the Company's PRC subsidiaries are entitled to exemption from the PRC Enterprise Income Tax for two calendar years and thereafter, they are entitled to 50% relief from the PRC Enterprise Income Tax for the following three calendar years (the "Tax Holiday"). The reduced tax rate for the relief period is 12.5% for the period/financial year. The Tax Holiday will expire by 31 December 2012.

Pursuant to the relevant laws and regulations in Sri Lanka, the profit generated from a subsidiary of the Company is entitled to exemption from the Sri Lanka income tax until 31 August 2015. Accordingly, no provision for income tax was made on the profit for the period/financial year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

In February 2008, the Hong Kong Inland Revenue Department (the "IRD") initiated a tax audit on the Company and its subsidiaries for the years of assessment from 2001/02 onwards and is obtaining information and documents from the Group. In March 2008, 2009 and 2010, February 2011, January 2012 and February 2012, notices of estimated additional assessment (the "Protective Assessments") for the years of assessment 2001/02, 2002/03, 2003/04, 2004/05, 2005/06 and 2005/06 in an aggregate amount of HK\$14,352,000, HK\$19,844,000, HK\$18,390,000, HK\$62,834,000, HK\$35,019,000 and HK\$12,343,000, respectively, were issued to the Company and certain subsidiaries of the Company by the IRD.

5. 所得稅支出(續)

根據中國企業所得稅法(「企業所得稅法」)及企業所得稅法實施條例，從2008年1月1日起，中國附屬公司之稅率為25%。本公司若干中國附屬公司可於兩個曆年獲豁免繳納中國企業所得稅及於其後三個曆年獲減免50%的中國企業所得稅(「免稅期」)。於是期間／財政年度免稅期的經調低稅率為12.5%。免稅期將於2012年12月31日屆滿。

根據斯里蘭卡有關之法律及法規，由本公司一間附屬公司所產生之盈利可獲豁免斯里蘭卡所得稅，直至2015年8月31日為止。據此，於是期間／財政年度無就盈利作出所得稅撥備。

其他司法地區之稅項是以有關各自司法地區當時之稅率計算。

於2008年2月，香港稅務局(「稅務局」)就本公司及其附屬公司由2001/02及其後之課稅年度進行一項稅務審查，並正向本集團搜集資料及文件。於2008年3月、2009年3月及2010年3月、2011年2月、2012年1月以及2012年2月，稅務局就2001/02、2002/03、2003/04、2004/05、2005/06及2005/06課稅年度分別發出合共14,352,000港元、19,844,000港元、18,390,000港元、62,834,000港元、35,019,000港元及12,343,000港元金額之估計補加評稅通知(「保障性評稅」)予本公司及本公司若干附屬公司。

5. INCOME TAX EXPENSE (Continued)

Regarding the Protective Assessments for the year of assessment 2003/04, out of the aggregate amount of HK\$18,390,000, two Protective Assessments of HK\$4,375,000 issued to the Company and a Hong Kong subsidiary, respectively, were in effect alternative assessments to that of an overseas subsidiary. Regarding the Protective Assessments for the year of assessment 2004/05, out of the aggregate amount of HK\$62,834,000, two Protective Assessments of HK\$2,266,000 and HK\$23,194,000 issued to the Company and a Hong Kong subsidiary, respectively, were also in effect alternative assessments to that of the above overseas subsidiary. Regarding the Protective Assessments for the year of assessment 2005/06, out of the aggregate amount of HK\$47,362,000, two Protective Assessments of HK\$1,687,000 and HK\$15,985,000 issued to the Company and a Hong Kong subsidiary, respectively, were also in effect alternative assessments to that of the above overseas subsidiary.

Objections against the Protective Assessments were lodged. For the years of assessment 2001/02 and 2002/03, full amounts were held over unconditionally. For the years of assessment 2003/04, 2004/05 and 2005/06, amounts were held over on the condition that Tax Reserve Certificates in the amount of HK\$1,600,000, HK\$23,000,000 and HK\$10,000,000 were purchased in May 2010, April 2011 and March 2012, respectively. The scope and outcome of the tax audit cannot be readily ascertained at this stage.

Having taken the advices from the Group's tax advisor, the directors of the Company made an aggregate provision of HK\$41,000,000 in relation to the tax audit during the financial year ended 31 August 2011 and believe that other than the aforesaid provision, no significant amount of additional profits tax will be payable for the tax audit.

Since the process to finalise the tax audit with the IRD is still at a preliminary stage, the eventual amount of penalty and interest payable, if any, under the tax audit cannot be reliably estimated at this stage. Hence, no provision for penalty or interest has been recognised.

Given the above stance of the Group, the directors of the Company are also considering various approaches in the best interests of the Group to resolve the dispute with the IRD.

5. 所得稅支出(續)

就2003/04課稅年度之保障性評稅合共18,390,000港元之金額，當中兩張保障性評稅金額各4,375,000港元分別發出給本公司及一間香港附屬公司實為發出給一間海外附屬公司的保障性評稅之交替式的估計評稅。就2004/05課稅年度之保障性評稅合共62,834,000港元之金額，當中兩張保障性評稅金額2,266,000港元及23,194,000港元分別發出給本公司及一間香港附屬公司實為發出給上述海外附屬公司的保障性評稅之交替式的估計評稅。就2005/06課稅年度之保障性評稅合共47,362,000港元之金額，當中兩張保障性評稅金額1,687,000港元及15,985,000港元分別發出給本公司及一間香港附屬公司實為發出給上述海外附屬公司的保障性評稅之交替式的估計評稅。

就此項保障性評稅已提出反對，2001/02及2002/03課稅年度之全數金額已獲無條件緩繳，而2003/04、2004/05及2005/06課稅年度之金額已分別於2010年5月、2011年4月及2012年3月購買1,600,000港元、23,000,000港元及10,000,000港元之儲稅券時獲緩繳。此項稅務審查之範圍及結果於現階段還未能確定。

經考慮本集團稅務顧問之意見後，本公司董事已於截至2011年8月31日止財政年度期間就此稅務審查作出撥備合共41,000,000港元及相信除上述撥備外，就稅務審查需償付之補加利得稅金額並不重大。

由於與稅務局達致完成稅務審查之程序仍在初步階段，於現階段仍未能確定估計其最終罰款金額及應付利息(如有)。因此，未有就罰款或利息作撥備確認。

鑑於本集團之上述情況，本公司董事亦正在考慮符合本集團最佳利益之不同方法以解決與稅務局之糾紛。

6. (LOSS) PROFIT FOR THE PERIOD/FINANCIAL YEAR

6. 是期間／財政年度(虧損)盈利

Twelve months ended
截至下列日期止12個月
31 August
8月31日

2012
2012年
HK\$'000
千港元

2011
2011年
HK\$'000
千港元

(Loss) profit for the period/financial year has been arrived at after charging:

是期間／財政年度(虧損)盈利已扣減下列：

Release of prepaid lease payments	預付租賃款項轉出	2,629	2,791
Depreciation of investment properties	投資物業之折舊	23	-
Depreciation of property, plant and equipment	物業、機器及設備之折舊	257,957	256,808
Loss on disposal/written-off of property, plant and equipment (included in other expenses)	出售／註銷物業、機器及設備之虧損(包括在其他費用內)	2,439	5,169
Net exchange losses (included in other expenses)	匯兌虧損淨值(包括在其他費用內)	-	17,112
Net loss from derivative financial instruments (included in other expenses)	衍生金融工具之虧損淨值(包括在其他費用內)	460	-
Employee benefits expense (including directors' emoluments)	僱員福利支出(包括董事酬金)	884,931	876,284
and after crediting to other income and gains:	及已計入至其他收入及收益：		
Imputed interest income on consideration receivable	應收代價之推算利息收入	-	6,469
Interest income	利息收入	11,981	3,310
Net rental income from investment properties	投資物業之租金收入淨值	83	-
Net exchange gain	匯兌收益淨值	1,498	-
Net gain from derivative financial instruments	衍生金融工具之收益淨值	-	2,521
Government grants (note)	政府補貼(附註)	42,140	1,458

Note: Government grants for the twelve months ended 31 August 2012 mainly represent a grant of HK\$37,145,000 received from the local government authority as a compensation to the Group for relocating and disposing of certain property, plant and equipment in the current interim period.

附註：截至2012年8月31日止12個月之政府補貼主要指收取自地方政府之37,145,000港元補貼，以補償本集團於本中期期間重置及出售若干物業、機器及設備。

7. DIVIDENDS

During the current interim period, the final dividend of HK1.0 cent per share in respect of the financial year ended 31 August 2011 (2011: HK1.0 cent per share in respect of the financial year ended 31 August 2010) was declared and paid to the owners of the Company. The amount of the final dividend declared and paid in current interim period amounted to HK\$7,940,000 (2011: HK\$7,940,000).

No interim dividend was proposed by the directors for the twelve months ended 31 August 2012 (2011: HK1.0 cent per share as annual dividend for the financial year ended 31 August 2011).

8. (LOSS) EARNINGS PER SHARE

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

7. 股息

於本中期期間，本公司已宣派及派付截至2011年8月31日止財政年度之末期股息每股1.0港仙（2011年：截至2010年8月31日止財政年度每股1.0港仙）予本公司擁有人。本中期期間已宣派及派付之末期股息為7,940,000港元（2011年：7,940,000港元）。

董事不建議派發截至2012年8月31日止12個月之中期股息（2011年：截至2011年8月31日止財政年度之年度股息為每股1.0港仙）。

8. 每股（虧損）盈利

本公司擁有人應佔每股基本及攤薄（虧損）盈利乃根據下列數據計算：

		Twelve months ended 截至下列日期止12個月	
		31 August 8月31日	
		2012	2011
		2012年	2011年
		HK\$'000	HK\$'000
		千港元	千港元
(Loss) earnings	（虧損）盈利		
(Loss) profit for the period/ financial year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	就計算每股基本及攤薄（虧損） 盈利所用之本公司擁有人 應佔是期間／財政年度（虧損）盈利		
		(289,145)	210,886

8. (LOSS) EARNINGS PER SHARE (Continued)

Number of shares

Weighted average number of
ordinary shares for the purposes
of basic and diluted (loss)
earnings per share

股份數目

就計算每股基本及攤薄(虧損)
盈利所用之普通股
加權平均數目

Twelve months ended
截至下列日期止12個月
31 August
8月31日

2012 2011
2012年 2011年

891,240,829 794,010,960

The computation of diluted (loss) earnings per share for the period/financial year does not assume the exercise of the Company's outstanding share options because the adjusted exercise prices of those options calculated in accordance with HKAS 33 "Earnings Per Share" are higher than the average market price of the shares for the period/financial year.

由於根據香港會計準則第33號「每股盈利」計算，本公司尚未行使購股權之經調整行使價高於股份於期間／財政年度之平均市價，因此計算是期間／財政年度之每股攤薄(虧損)盈利時並無假設該等購股權已獲行使。

9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the current interim period, properties with an aggregate carrying amount of HK\$2,757,000 were transferred to investment properties at cost as the management had changed the intended use of the properties from owner-occupation to rental purpose. The investment properties are measured at cost model and depreciated on a straight-line basis over the remaining lease term.

9. 投資物業以及物業、機器及設備之變動

於本中期期間，由於管理層將賬面總值為2,757,000港元之物業之擬定用途由自用更改為租賃，因此該等物業已按成本值轉移至投資物業。投資物業乃按成本模式計量，並根據剩餘租賃年期按直線法折舊。

The Group incurred expenditure of HK\$78,020,000 during the twelve months ended 31 August 2012 (2011: HK\$110,334,000) on property, plant and equipment to expand and upgrade the Group's manufacturing facilities.

本集團於截至2012年8月31日止12個月，為擴大及增強本集團之生產設施而用於物業、機器及設備的開支為78,020,000港元(2011年：110,334,000港元)。

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$73,515,000 (2011: HK\$35,209,000), out of which HK\$57,319,000 (2011: HK\$27,628,000) was disposed of through disposal of subsidiaries.

於本中期期間，本集團出售賬面總值73,515,000港元(2011年：35,209,000港元)之若干物業、機器及設備，當中57,319,000港元(2011年：27,628,000港元)乃透過出售附屬公司而售出。

10. PREPAYMENTS FOR AND RIGHTS UNDER LIFE INSURANCE POLICIES

During the twelve months ended 31 August 2012, the Group entered into contracts with two insurance companies of which contain life insurance policies to insure against the death of certain key members of management of the Group for a period ranging from 25 to 44 years, with an aggregate insured sum of approximately US\$18.8 million (equivalent to approximately HK\$145.8 million). Under these contracts, the beneficiary and policy holder is the Company. The Company has made upfront payments of HK\$36,178,000 during the current interim period and is required to pay monthly insurance costs and administrative charges determined by the insurance companies. Out of the upfront payments, a portion of HK\$2,164,000 represents prepayments for the life insurance premium. The insurers will declare interest (including the guaranteed interest) to the Company on a monthly basis, based on the amount of upfront payments, plus accumulated interest earned and less amounts representing prepayments for life insurance premium, monthly insurance costs and administrative charges, at a rate to be determined at their own discretion.

11. INVENTORIES

Spare parts	備件
Raw materials	原料
Work in progress	半製品
Finished goods	製成品

10. 人壽保險保單預付款項及權利

截至2012年8月31日止12個月期間，本集團與兩間保險公司訂立合約，當中包含人壽保險保單，為本集團若干名主要管理層成員之身故事宜投保，年期介乎25年至44年，投保金額合共約為18,800,000美元（相等於約145,800,000港元）。根據該等合約，受益人及保單持有人為本公司。本公司於本中期期間已支付預付按金36,178,000港元，並須每月支付保費及保險公司釐定之行政費用。預付按金當中，2,164,000港元為預付人壽保險保費。保險公司每月可酌情向本公司宣派利息（包括保證利息），計算方法將根據預付款項金額，加所賺取之累計利息，扣除相當於人壽保險保費預付款項、每月保費及行政費用。

11. 存貨

At 31 August 8月31日	
2012	2011
2012年	2011年
HK\$'000	HK\$'000
千港元	千港元
99,175	98,941
677,272	787,348
376,145	397,242
385,422	399,923
1,538,014	1,683,454

12. TRADE AND BILLS RECEIVABLES/PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group allows a credit period ranging from 30 days to 90 days to its trade customers. The following is an aged analysis of trade and bills receivables based on the payment due date net of allowance for doubtful debts:

Not yet due	未到期
Overdue 1 – 30 days	過期1-30天
Overdue 31 – 60 days	過期31-60天
Overdue > 60 days	過期超過60天

Included in trade and bills receivables are bills receivables of HK\$309,272,000 (2011: HK\$187,184,000). Bills receivables of HK\$8,735,000 were discounted to a bank with recourse at 31 August 2011 (2012: Nil).

Other receivables as at 31 August 2012 represented value-added tax recoverable of HK\$47,673,000 (2011: HK\$65,967,000), tax reserve certificates purchased of HK\$34,600,000 (2011: HK\$24,600,000) and prepayments, deposits and other receivables of HK\$121,836,000 (2011: HK\$123,626,000).

12. 營業及票據應收款項／預付款項、按金及其他應收款項

本集團提供介乎30天至90天數期予其營業客戶。營業及票據應收款項根據付款到期日（經扣除呆賬撥備）之賬齡分析如下：

At 31 August 8月31日	
2012	2011
2012年	2011年
HK\$'000	HK\$'000
千港元	千港元
868,279	919,114
226,661	179,692
77,762	109,931
142,064	67,004
1,314,766	1,275,741

營業及票據應收款項包括應收票據309,272,000港元（2011年：187,184,000港元）。應收票據8,735,000港元為於2011年8月31日之附追索權銀行貼現票據（2012年：無）。

於2012年8月31日，其他應收款項乃指可收回增值稅47,673,000港元（2011年：65,967,000港元）、購買儲稅券34,600,000港元（2011年：24,600,000港元）以及預付款項、按金及其他應收款項121,836,000港元（2011年：123,626,000港元）。

13. TRADE AND BILLS PAYABLES/OTHER PAYABLES AND ACCRUALS

Trade payables	營業應付款項
Bills payables	票據應付款項

13. 營業及票據應付款項／其他應付款項及應計費用

At 31 August 8月31日	
2012	2011
2012年	2011年
HK\$'000	HK\$'000
千港元	千港元
465,166	418,672
353,302	279,761
818,468	698,433

The following is an aged analysis of trade payables based on the payment due date:

營業應付款項按付款到期日之賬齡分析如下：

		At 31 August 8月31日	
		2012	2011
		2012年	2011年
		HK\$'000	HK\$'000
		千港元	千港元
Not yet due	未到期	421,744	363,886
Overdue 1 – 30 days	過期1-30天	17,013	26,801
Overdue 31 – 60 days	過期31-60天	9,379	6,550
Overdue > 60 days	過期超過60天	17,030	21,435
		465,166	418,672

All the bills payables of the Group are not yet due at the end of the reporting period.

於報告期終，本集團之所有票據應付款項均未到期。

Other payables and accruals as at 31 August 2012 represented other payables of HK\$108,568,000 (2011: HK\$149,248,000) and accruals of HK\$211,172,000 (2011: HK\$171,413,000).

於2012年8月31日，其他應付款項及應計費用指其他應付款項108,568,000港元（2011年：149,248,000港元）及應計費用211,172,000港元（2011年：171,413,000港元）。

14. CONSIDERATION PAYABLE

On 27 April 2009, Folkture Limited ("Folkture"), a wholly owned subsidiary of the Company, entered into an agreement with certain non-controlling shareholders of Dongguan Fuan Textiles Limited ("Dongguan Fuan") (the "Transferors") to acquire from the Transferors in aggregate 39% of the equity interests in Dongguan Fuan at a total consideration of HK\$77,326,205 (the "Share Transfer Agreement"). Upon completion of the Share Transfer Agreement in 2009, Dongguan Fuan became a 90% owned subsidiary of the Company.

Pursuant to the Share Transfer Agreement, the consideration was payable by 5 installments, unsecured and interest-free. The fair value of the deferred consideration at the date of initial recognition was determined as HK\$74,433,000 based on the estimated future cash flows by applying a discount rate of 3.7% per annum. The balance outstanding as at 31 August 2011 was fully settled during the current interim period.

Details of the above transaction are set out in the circular of the Company dated 30 July 2009.

15. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings of HK\$2,951,543,000 (2011: HK\$3,556,825,000) and made repayments of HK\$3,666,745,000 (2011: HK\$3,904,647,000). These bank borrowings obtained and repaid are mainly denominated in Hong Kong dollar. The new bank borrowings raised were mainly used to repay the existing bank borrowings or as working capital of the Group.

The borrowings mainly carry floating interest at the weighted average effective interest rate of 2.62% (2011: 2.58%) per annum and are repayable by installments over a period from one to three years. Except for borrowings of HK\$14,853,000 (2011: Nil) which are secured by certain life insurance policies as detailed in note 10, all other borrowings are unsecured.

14. 應付代價

於2009年4月27日，本公司之一間全資附屬公司福津有限公司（「福津」）與東莞福安紡織印染有限公司（「東莞福安」）若干名非控股股東（「轉讓方」）訂立協議，以總代價77,326,205港元從轉讓方收購於東莞福安總計39%之股本權益（「股權轉讓協議」）。於2009年完成股權轉讓協議後，東莞福安成為本公司擁有90%權益之附屬公司。

根據股權轉讓協議，代價分五期支付，為無抵押及免息。於初步確認日期之遞延代價之公平價值為74,433,000港元，乃根據估計未來現金流量按貼現年率3.7%計算。於2011年8月31日之餘下未償還款項已於本中期期間清償。

有關上述交易之詳情已載於本公司日期為2009年7月30日之通函內。

15. 銀行借貸

於本中期期間，本集團取得新銀行借貸2,951,543,000港元（2011年：3,556,825,000港元）及已償還3,666,745,000港元（2011年：3,904,647,000港元），該等取得及已償還之銀行借貸主要以港元計值。新籌集之銀行借貸乃主要用作償還現有的銀行借貸或用作本集團之流動資金。

有關借貸主要按浮息以加權平均實際年利率2.62%（2011年：2.58%）計算利息，並須於介乎1年至3年期內分期償還。除附註10所詳述以若干人壽保險保單抵押之借貸14,853,000港元（2011年：無）外，所有其他借貸均為無抵押。

15. BANK BORROWINGS (Continued)

During the current interim period, the Group breached covenant for two bank loans with an aggregate carrying amount of HK\$530,386,000 as at 31 August 2012 (the "Bank Loans"). The Bank Loans require the ratio of consolidated earnings before interest, taxes, depreciation and amortisation to consolidated interest expense of the Group to be not less than 3.0 for the twelve months ended 31 August 2012 but the Group has failed to attain. Accordingly, the non-current portion of the Bank Loans with a carrying amount of HK\$237,958,000 having an original maturity of over one year are presented under current liabilities in the condensed consolidated statement of financial position as at 31 August 2012 as the banks have the right to demand immediate payment as a result of the breach. The Group has obtained waiver letters for the breach of covenant for the Bank Loans subsequent to the end of the reporting period.

The directors of the Company are of the opinion that given the waiver letters have been obtained subsequent to the end of the reporting period, the breach will not trigger immediate repayment of the Bank Loans of the Group.

16. SHARE CAPITAL

Issued and fully paid:

At 1 September 2010, 31 August 2011 and 1 September 2011 於2010年9月1日、2011年8月31日及2011年9月1日

Issue of shares 發行股份

At 31 August 2012 於2012年8月31日

On 6 June 2012, the Company allotted and issued a total of 409,036,000 shares of HK\$0.2 each at the price of HK\$1.25 per share to Chinatex, a company established in the PRC. These shares rank pari passu in all respects with other shares in issue. Immediately after the issue of shares, there were 1,203,046,960 shares in issue and Chinatex held approximately 34% of the issued share capital of the Company and became the single largest shareholder of the Company.

15. 銀行借貸(續)

於本中期期間，本集團違反兩項銀行貸款契約，於2012年8月31日之總面值為530,386,000港元（「銀行貸款」）。銀行貸款規定本集團於截至2012年8月31日止12個月之綜合未計利息、稅項、折舊及攤銷前盈利與綜合利息開支之比率不得低於3.0，惟本集團未能達標。因此，由於違反事項而銀行有權要求即時償還款項，原訂到期日超過一年賬面值為237,958,000港元之銀行貸款之非流動部份已於2012年8月31日之簡明綜合財務狀況表內列作流動負債。本集團已於報告期後就違反銀行貸款契約取得豁免函件。

本公司董事認為，由於在報告期後已取得豁免函件，因此違反事項將不會觸發即時償還本集團之銀行貸款。

16. 股本

已發行及繳足股本：

Number of ordinary shares of HK\$0.2 each 每股面值0.2港元 之普通股份數目	Amount 金額 HK\$'000 千港元
794,010,960	158,802
409,036,000	81,807
1,203,046,960	240,609

於2012年6月6日，本公司按每股1.25港元之價格配發及發行合共409,036,000股每股面值0.2港元之股份予一家於中國註冊成立之公司中紡。該等股份於所有方面均與其他已發行股份享有同等權益。緊隨發行股份後，本公司有已發行股份1,203,046,960股，而中紡持有本公司已發行股本約34%，並成為本公司之單一最大股東。

BUSINESS REVIEW 業務回顧

We would like to report to shareholders the second interim results of the Group for the twelve months ended 31 August 2012. The Group's revenue was approximately HK\$6,959.6 million, a decrease of 8.4% over the same period last year. Unaudited loss attributable to owners of the Company amounted to approximately HK\$289.1 million, compared to profit attributable to owners of the Company of approximately HK\$210.9 million recorded in the same period last year. Gross profit margin for the period under review was 7.9%, a decrease of 7.4 percentage points over the same period last year. Basic loss per share was HK32.4 cents, compared to basic earnings per share HK26.6 cents for the same period last year. The Board has resolved not to pay any interim dividend for the period under review (2011: Nil).

During the period under review, the difficult economic environment in North America and Europe caused by factors including high unemployment rate and concerns over default of European debts continued, resulting in weak demand for textile products and further deterioration in the textile and apparel industry, which adversely affected the Group's selling prices and margin. As mentioned in the first interim report for the six months ended 29 February 2012, the continuous and substantial decline in the costs of cotton and cotton yarn during the last three quarters of calendar year 2011 contributed to downward pressure on market prices of knitted fabrics. Moreover, the gross profit of the Group for the first interim of financial year 2012 was adversely affected as majority of the cotton and cotton yarn inventories consumed by the Group during that period were purchased earlier when costs were higher. In addition, the unusually high price premium of cotton in the Mainland China over that of the rest of the World during the calendar year 2012 also negatively affected gross profit margin during the period under review. Nevertheless, the Board considers that the Group maintains sufficient liquidity to support its ongoing operations.

During the period under review, all conditions to completion of the Subscription Agreement, entered into by and between Chinatex Corporation ("Chinatex" 中國中紡集團公司) and the Company on 3 April 2012, had been fulfilled and completion of the share subscription took place on 6 June 2012. Chinatex is incorporated in the People's Republic of China ("PRC") under direct administration of the State-Owned Assets Supervision and the Administration Commission of the State Council (國務院國有資產監督管理委員會) and one of the 500 largest enterprises in the country. Immediately after such completion, there were 1,203,046,960 shares in issue, of which Chinatex held approximately 34% and Honorary Chairman Mr. HA Chung Fong and associates held approximately 28.56% immediately after the completion.

本集團向各股東匯報集團截至2012年8月31日止12個月之第二次中期業績。集團營業額約為6,959.6百萬港元，與去年同期相比下降了8.4%。本公司擁有人應佔未經審核虧損約為289.1百萬港元，相對去年同期本公司擁有人應佔盈利約為210.9百萬港元。回顧期內的毛利率為7.9%，與去年同期相比下降了7.4個百分點。每股基本虧損為32.4港仙，相對去年同期的每股基本盈利26.6港仙。董事會議決通過就回顧期內不予派發任何中期股息（2011：零）。

於回顧期內，由高失業率及擔憂歐洲債務持續違約等因素而引致北美及歐洲經濟環境嚴峻，導致消費者信心減弱及對紡織品成衣需求下降，繼而影響集團此期間的銷售價格。於截至2012年2月29日止6個月之第一次中期業績報告中提及，隨著棉花及棉紗價格持續於2011年曆年度最後三季內大幅下降，導致針織布的市場價格面對下調壓力。鑒於集團於2012年第一次中期財政年度期間使用的大部份棉花和棉紗存貨乃較早前於成本偏高時購入，所以對集團截至2012年2月29日止6個月集團毛利率造成不利影響。再加上2012年曆年度期間，中國內地的棉花價格較世界其他地區的溢價不尋常地高，對回顧期內的毛利率造成負面影響。然而，董事會認為本集團維持足夠的流動性以支持其正在進行的營運。

在回顧期內，中國中紡集團公司（「中紡」）與本公司已達成於2012年4月3日雙方之間所訂立有關完成認購協議之所有條件，及股份認購事宜已於2012年6月6日圓滿完成。於中華人民共和國（「中國」）註冊成立之中紡為國務院國有資產監督管理委員會直接管理，並為全國五百強企業之一。緊隨此完成後，已發行股份為1,203,046,960股。其中，中紡持有本公司已發行股本約34%，名譽主席夏松芳先生及其家族成員緊隨股份認購事宜完成後擁有本公司已發行股本約28.56%。

BUSINESS REVIEW (Continued) 業務回顧(續)

Following changes in the Board of Directors as a result of the abovementioned investment by Chinatex, the current Board of Directors consists of:

- (1) Madam LI Lan, Chairman of the Board, Executive Director and Chairman of the Nomination Committee;
- (2) Mr. HA Chung Fong, Honorary Chairman and Executive Director;
- (3) Mr. HA Kam On, Victor, Vice-Chairman of the Board, Chief Executive Officer and Executive Director;
- (4) Dr. Gordon YEN, Executive Director and Chief Financial Officer;
- (5) Mr. GONG Zhengyi, Executive Director and Member of the Remuneration Committee;
- (6) Mr. CHEN Rong, Executive Director;
- (7) Mr. ZHANG Chong, Non-Executive Director and Member of the Audit Committee;
- (8) Mr. CHEN Minghong, Non-Executive Director;
- (9) Mr. NG Kwok Tung, Independent Non-Executive Director, Chairman of Audit Committee and Member of the Remuneration Committee;
- (10) Mr. CHOW Wing Kin, Anthony, SBS, JP, Independent Non-Executive Director, Member of the Audit Committee and the Member of the Nomination Committee; and
- (11) Mr. YANG Shibin, Independent Non-Executive Director, Chairman of the Remuneration Committee and Member of the Nomination Committee.

Since the completion of the subscription, the Group has substantially reduced its indebtedness and further strengthened its financial position. Moreover, the new Board of Directors has been working closely on the future strategic plan to leverage the extensive network and expertise of Chinatex with an aim of enhancing the Group's competitiveness for the export markets as well as the domestic market in the PRC.

隨著上述中紡之投資而引致之董事會變更，現時董事會成員包括：

- (1) 董事會主席、執行董事及提名委員會主席李蘭女士；
- (2) 名譽主席及執行董事夏松芳先生；
- (3) 董事會副主席、行政總裁及執行董事夏錦安先生；
- (4) 執行董事及首席財務官嚴震銘博士；
- (5) 執行董事及薪酬委員會之成員宮征誼先生；
- (6) 執行董事陳榕先生；
- (7) 非執行董事及審核委員會之成員張湧先生；
- (8) 非執行董事陳鳴洪先生；
- (9) 獨立非執行董事、審核委員會之主席及薪酬委員會之成員伍國棟先生；
- (10) 獨立非執行董事、審核委員會及提名委員會之成員周永健先生，銀紫荊星章，太平紳士；及
- (11) 獨立非執行董事、薪酬委員會之主席及提名委員會之成員楊世濱先生。

自認購完成後，本集團已充分地減少其債務，及已進一步增強其財務狀況。此外，新董事局在未來的戰略計劃上正密切合作，利用中紡紡織品原材料供應鏈方面擁有之廣泛網路及專長以及對中國紡織產品國內市場之知識，以提升本集團於出口市場以及中國國內市場之競爭力為目的。

BUSINESS REVIEW (Continued) 業務回顧(續)

With an aim of improving the efficiency of the Group's financial reporting operations and considering that most of the principal operating subsidiaries of the Group are incorporated in the PRC which are therefore statutorily required to have their financial year end date set at 31 December, the Group has confirmed to change, effective 10 August 2012, the Group's financial year end from 31 August to 31 December.

During the twelve months ended on 31 August 2012, Jiangyin Fuhui Textiles Limited ("Jiangyin Fuhui", a subsidiary of the Group) was accredited "Water Saving and Emission Reduction Demonstrative Project", "Water Saving Type Enterprise in Jiangsu Province", "Carbon Footprint and Water Footprint Evaluation Demonstrative Enterprise" and "China Knitting Industry Environment Optimization, Energy Saving and Emission Reduction Outstanding Enterprise". Jiangyin Fuhui and other factory subsidiaries of the Group have committed continuously on carbon intensity reduction, greenhouse gas management and best practices in energy efficiency of manufacturing process and operations.

Production and Sales of Dyed Fabrics, Sewing Threads and Yarns

For the period under review, the Group had undergone re-positioning of sales and marketing efforts and strategies to fully capture macro market opportunities. Nevertheless, the decrease in average selling price of products negatively impacted the revenue from production and sales of dyed fabrics, sewing threads and yarns of approximately HK\$6,047.0 million, resulting in a decrease of approximately 9.0% as compared with the same period last year, and accounted for 86.9% of the Group's total revenue.

Production and Sales of Garments

For the period under review, with the decrease in sales volume and lower average selling price, revenue from the production and sales of garments was approximately HK\$912.6 million, a decrease of 3.9% as compared with the same period last year, and accounted for 13.1% of the Group's total revenue.

Analysis by Customer Geographical Regions

For the period under review, the Group's major customers were located in Asia and accounted for approximately 93.5% of the Group's total revenue. The remaining 6.5% was mainly generated from sales to customers located in Europe and America.

為增強集團財務報告運作的效率及考慮到集團之主要營運附屬公司亦於中國註冊成立，而該等於中國註冊成立之公司的法定財政年度結算日均為12月31日，所以，從2012年8月10日起，集團財政年度結算日由8月31日更改為12月31日，與該等於中國註冊成立之公司的財政年度結算日一致。集團認為，更改財政年度結算日將有助於公司籌備及更新其財務報表作為編制其綜合賬目之用。

截至2012年8月31日止12個月期間，集團之附屬公司，江陰福匯紡織有限公司(以下簡稱「江陰福匯」)榮獲「節水減排示範專案」、「江蘇省節水型企業」、「碳足跡和水足跡評價示範企業」以及「中國針織行業環境優化、節能減排優秀企業」。江陰福匯及集團其他附屬廠房一直致力減少碳強度，建立溫室管理系統及遵循在製造過程及運作中的能源最佳守則。

製造及銷售色布、縫紉線及紗

在回顧期內，集團透過重新部署銷售和市場推廣之力度和策略，充分把握宏觀市場機會。但是產品平均售價下降對製造及銷售色布、縫紉線及紗之約6,047.0百萬港元的營業額造成負面影響，因此與去年同期相比下降約9.0%，佔集團營業額總值的86.9%。

製造及銷售成衣

在回顧期內，由於訂單量及平均售價下降，製造及銷售成衣的營業額約為912.6百萬港元，較去年同期下降3.9%，佔集團營業額總值的13.1%。

客戶所屬地域分析

在回顧期內，集團之主要客戶位於亞洲，佔集團營業額總值約93.5%。而餘下的6.5%則主要來自對歐洲及美洲的客戶之銷售。

OUTLOOK 展望

Although the third round of Quantitative Easing was announced by the Federal Reserve in the US in September this year, the continuing concerns over European sovereign debt are still likely to maintain pressure on liquidity in the global banking system thus increasing market cost of borrowing. Coupled with the slower-than-expected US recovery that led to conservative consumer consumption together with two consecutive years decline in the US and EU garment import, resulting in negative impact on the Group's profitability. In addition, the unusually high price premium of cotton in the Mainland China over that of the rest of the world will continue to suppress the gross margin of the Group. Nevertheless, the Board considers that the Group maintains sufficient liquidity to support its ongoing operations.

The prices of cotton and cotton yarn have stabilized since the end of 2011. However, the price premium of cotton in the Mainland China is currently abnormally higher than the price of cotton of the rest of the world due to import quotas restrictions. At the same time, the Chinese economy remains relatively slower than last year although a slight growth is still expected, thus, the Group believes the business environment of the textile industry could remain challenging in the near future.

For the Group's fabric business, the problem about the cotton yarn inventories that were previously purchased at relatively higher prices, which was stated in the first interim report for the six months ended 29 February 2012 has been solved, resulting in more certainty for the management of the Group's product costs. With the anticipation of further consolidation of fabric supply chain by many brands and retailers, the Group is implementing more aggressive sales strategies and cost control measures to enhance its competitiveness. Further streamlining of production and operation processes are actively implemented to increase overall efficiency of the Group.

The Group will monitor closely the market conditions and the upcoming sourcing plan of our customers before investing in any additional fabric production capacity. Meanwhile, the Group's plant in Jiangyin, Jiangsu Province remains the largest fabric production site within the Group and is expected to represent about half of the Group's total capacity. The plan of balancing the distribution of capacity between the Pearl River Delta and the Yangtze River Delta of the PRC will enable the Group to strategically diversify our geographical risk and be better positioned to efficiently service the PRC market while maintaining competitiveness for the export market in the long term.

儘管美國在今年9月份宣佈了第三輪量化寬鬆政策，但對於歐盟主權債務的持續憂慮，很有可能仍令全球金融市場之流動性持續受壓，從而提高市場借貸成本。加上比預期緩慢的美國經濟復蘇促使消費者謹慎消費，以致美國及歐盟服裝進口過去兩年連續下降，對集團的盈利能力持續構成負面打擊。此外，中國大陸的棉花價格較世界其他地區不尋常地高於溢價，將持續惡化並抑壓集團的毛利率。然而，董事會認為本集團將維持充足的現金流以支援其持續經營。

從2011年年底開始，棉花及棉紗的價格已趨穩定。但是，由於進口配額的限制，目前中國內地的棉花價格較世界其他地區不尋常地高。同時，中國經濟雖然預期依然會略有增長但仍然較去年放緩。因此，集團相信在不久之未來紡織行業的經營環境將仍然具挑戰性。

有關集團的布料業務，在截至2012年2月29日止6個月的第一次中期業績報告提及有關先前在相對較高價格時購買之棉紗庫存問題已解決，令集團對產品成本管理更有把握。隨著預期許多品牌和零售商對布料供應鏈將進一步整合，集團現已推行更進取之銷售策略和成本控制措施來增強競爭力。集團亦已積極推行進一步精簡生產和營運流程之措施以提高集團整體效率。

集團在投資於任何額外的布料生產能力之前，將會繼續密切監察市場狀況和客戶未來的採購安排。同時，集團位於江蘇省江陰市的廠房仍然是集團內最大的布料生產廠房，預計其產能約佔集團總產能的一半。這在中國珠江三角洲及長江三角洲逐步平衡產能分佈的計劃，將有助集團策略性地分散地域風險，並有更好的定位去有效地服務中國市場，同時保持出口市場的長遠競爭力。

OUTLOOK (Continued) 展望 (續)

Under the leadership of the new Board of Directors, the management of the Group is actively re-positioning strategic direction and implementing specific improvement measures to cope with the market challenges. The management has formed a broad consensus in response to the key improvement opportunities in existing business operations, that is: to solidify the Group's path for sustainable growth and be determined to implement stringent cost-control measures in order to further enhance the Group's overall competitiveness; to adjust and upgrade production capacities and capabilities of our fabric mills in accordance with current market conditions; optimize business processes and improve the overall operating efficiency and control.

The minimum wages in the PRC is likely to continue increasing, resulting in ongoing pressure on the cost of labor and other labor intensive services together with the possible appreciation of Renminbi which will create potential risks for the industry. The Group seeks to continue improving its operating efficiency and cost structure mainly through three approaches: (1) to streamline, improve and upgrade its production facilities, technologies and production processes which will improve its cycle time, reduce consumption in electricity, water and raw material, and lower repair and maintenance expenses; (2) to increase the utilization rate of its production facilities which in turn will allow the Group to its return on investment and (3) to continue to control production, selling and other costs both as an amount and as a percentage of the Group's revenue, and to optimize the upstream and downstream supply chain efficiency by leveraging the substantial scale of the Group's integrated operations and the improvement of inventory and procurement management.

Looking forward to the rest of the Group's financial year of 2012, the Group will continue to strengthen the existing business, emphasize development of customer relations, actively develop high value-added products and markets as well as to direct efforts in increasing sales in the PRC market and other emerging markets such as Russia. With the increasing number of foreign apparel brands entering the PRC market, the Group believes it is well positioned to service these additional demands for high quality textile products by leveraging its established relationships with these brands in their international markets and its proven track record of innovation, reliability and quality control.

在新組成的董事會的帶領下，集團管理層正積極投入，重新制定戰略方向和推行具體改善措施，以應對現時市場環境所帶來的挑戰。管理層對現有業務中的關鍵改進機遇上達成了廣泛的共識：為了進一步增強集團的整體競爭能力，必須鞏固集團未來持續發展的路向及決心實施嚴格的控制成本措施、按照當前市場情況調整和提升旗下布料廠房之產能、優化業務流程及改善整體營運效率和控制。

中國政府將有可能繼續上調最低工資，為勞工成本以及其他勞工密集之服務帶來持續壓力。加上人民幣可能升值，將對行業構成潛在風險。本集團主要通過三種方式致力繼續改善其營運效率及成本結構：(1)精簡、改善和提升其生產設施，技術和生產過程以縮短週期時間，並達到節省電力、水和原材料消耗，以及減低維修和保養費用。(2)提高生產設施使用率，使集團取得投資回報。(3)繼續控制生產、銷售及其他成本以及該等成本所佔集團總收入的百分比，同時利用集團綜合性業務的龐大規模，並改善存貨和採購管理，從而優化上下游供應鏈的效益。

展望集團2012年剩餘之財政年度，集團將繼續加強現有業務，強調重點發展與客戶的關係，積極開發高附加值產品和市場，以及集中增強中國市場以及一些如俄國等新興市場的銷售。隨著越來越多外國服裝品牌進軍中國市場，集團認為可以充分利用與該等品牌在國際市場上已建立之合作關係及集團在創新性、可靠性及品質控制上良好的往績等優勢，以吸納這些額外的高品質紡織品需求。

OUTLOOK (Continued) 展望 (續)

Further to the decrease in import of garments by US and EU during the period under review, the market for garment export from China remains volatile and highly competitive. Under such market conditions, the Group expects continuing challenges for the garment business in the rest of this financial year.

The Group maintains a policy to implement stringent cost control and efficiency improvement measures to reduce our overall operating costs. The number of employees of the Group is approximately 13,200 as of 31 August 2012, a deduction of about 900 when compared with 31 August 2011 and a significant reduction of over 2,300 when compared with the number of employees of the Group as of 28 February 2011.

FINANCIAL REVIEW 財務回顧

Liquidity and Financial Information

At 31 August 2012, the total amount of short-term bank deposits, bank balances and cash of the Group was approximately HK\$1,004.4 million, a decrease of approximately HK\$120.1 million compared with 31 August 2011. At 31 August 2012, the financial ratios of the Group were as follows:

Gearing ratio	資本負債比率
Bank borrowings ratio	銀行借貸比率
Net bank borrowings ratio	銀行借貸淨值比率

The sales and purchase of raw materials of the Group are mainly denominated in Hong Kong dollars, US dollars and Renminbi. Bank borrowings are also denominated in Hong Kong dollars, US dollars and Renminbi. Interests are mainly charged on a floating rate basis. In addition, the Group mainly operates in China and is exposed to foreign exchange risk arising from Renminbi exposure. The fluctuations in the US dollars and Renminbi have always been the concern of the Group. In order to mitigate the foreign currency risk and interest rate risk, the Group would enter into appropriate hedging arrangements in accordance with the Group's risk management policies.

Capital Expenditure

During the period under review, the Group invested approximately HK\$78.0 million in property, plant and equipment, represented a reduction of about 29.3% from capital expenditure of the same period in last year.

回顧期內美國和歐盟之成衣進口均錄得下降，中國成衣出口市場的需求依舊波動，且競爭異常激烈。在此市場情形下，集團預料剩餘之本財政年度的成衣業務依然充滿挑戰。

集團已持續實行嚴謹的成本控制及效率優化措施，以減少集團的整體營運成本。集團截至2012年8月31日之僱員人數約為13,200，與2011年8月31日相比減少了約900人，及與2011年2月28日相比減少了超過2,300人。

流動資金及財務資料

於2012年8月31日，集團之短期銀行存款，銀行結存及現金總值約為1,004,400,000港元，相對於2011年8月31日減少約120,100,000港元。於2012年8月31日，集團之財務比率如下：

31 August 2012 2012年8月31日	31 August 2011 2011年8月31日
0.94	1.24
0.50	0.78
0.16	0.38

本集團之銷售及原材料採購以港元、美元及人民幣為主。銀行借貸亦以港元、美元及人民幣為單位，利息主要以浮動利率計算。另外，本集團主要於中國經營業務，故涉及人民幣所產生之外匯風險。本集團一直關注美元及人民幣匯率之波動。為降低外匯及利率風險，本集團會依據風險管理政策作出合適的對沖安排。

資本開支

在回顧期內，本集團已投資約78,000,000港元用於物業，機器及設備，與去年同期資本開支金額相比下降了29.3%。

EMPLOYEES AND EMOLUMENT POLICIES 僱員及酬金政策

At 31 August 2012, the Group had approximately 13,200 full time employees. There is no significant change in the Group's emolument policies.

於2012年8月31日，集團全職僱員人數約為13,200人，而集團薪酬政策並無重大改變。

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES 購回、出售及贖回本公司之上市證券

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

於回顧期內本公司及其任何附屬公司並無購回、出售或贖回本公司之任何上市證券。

CORPORATE GOVERNANCE CODE 企業管治守則

During the twelve months ended 31 August 2012, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") (previously known as Code on Corporate Governance Practices (the "Former CG Code")) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the deviation on Code Provision A.6.7 of the CG Code.

於截至2012年8月31日止12個月內，除了於企業管治守則之守則條文A.6.7有所偏離外，本公司已應用及一直遵守香港聯合交易所有限公司（「聯交所」）證券上市規則（「上市規則」）附錄14所載之企業管治守則及企業管治報告（「企業管治守則」）（前稱企業管治常規守則（「前企業管治守則」））之原則及適用之守則條文。

According to the Code Provision A.6.7 of the CG Code which came to effect on 1 April 2012, independent non-executive directors and other non-executive directors should attend general meetings in order to develop a balanced understanding of the views of shareholders.

根據於2012年4月1日起生效之企業管治守則之守則條文A.6.7，規定獨立非執行董事及其他非執行董事應出席股東大會，以均衡了解股東意見。

Due to other business engagements, an independent non-executive director of the Company (resigned on 6 June 2012) could not attend the extraordinary general meeting of the Company held on 10 May 2012 ("EGM"). However, except the above independent non-executive director, all the other directors of the Company were present the EGM to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

本公司之其中1位獨立非執行董事（已於2012年6月6日辭任）由於另有其他公務，因此未能出席本公司於2012年5月10日舉行之股東特別大會（「股東特別大會」）。然而，除上述獨立非執行董事外，本公司所有其他董事均有出席股東特別大會，董事會從而得以均衡了解本公司股東意見。

Save for the above deviation, none of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or, was not during the twelve months ended 31 August 2012 in compliance with the code provisions of the CG Code and the Former CG Code as set out in Appendix 14 of the Listing Rules on the Stock Exchange.

除以上偏離外，本公司董事概不知悉任何資料，足以合理地顯示本公司於截至2012年8月31日止12個月期間未有或未曾遵守聯交所上市規則附錄14所載之企業管治守則及前企業管治守則之守則條文。

With respect to the recent changes to the Listing Rules on corporate governance, the Board has updated or established various policies and procedures and the committees have updated their terms of reference in compliance with the new applicable code provisions of the CG Code. The Company has also made enhancement in the following major areas which is in line with applicable code provisions of the CG Code: the Board shall perform the corporate governance duties for the Group; a Nomination Committee was set up with a majority of its members being independent non-executive directors; and a shareholders' communication policy was adopted by which the shareholders of the Company can communicate with the Company and the Board.

關於最近有關上市規則於企業管治方面的更改，董事會已更新或制訂多項政策和程序，及委員會已更新其職權範圍，以遵守企業管治守則的新適用守則條文。本公司更提升以下主要範疇以符合企業管治守則之適用守則條文：董事會將履行本集團之企業管治職責；已成立提名委員會，其大部分成員為獨立非執行董事；及已採納股東傳訊政策，以便股東與本公司及董事會進行溝通。

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS 董事進行證券交易的標準守則

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors of the Company, the Company considers that all directors of the Company have complied with the required standard set out in the Model Code for the period under review.

本公司已採納上市規則附錄10所載上市發行人董事進行證券交易的標準守則（「標準守則」）為其有關董事進行證券交易之守則。經向本公司所有董事作出查詢後，本公司認為本公司所有董事於回顧期內均已遵守標準守則所要求的標準。

AUDIT COMMITTEE 審核委員會

The Company has established an Audit Committee for the purposes of reviewing and providing supervision over the Company’s financial reporting process and internal controls. The Audit Committee presently comprises one non-executive director and two independent non-executive directors of the Company, and one of the independent non-executive directors acts as the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited second interim results of the Company for the twelve months ended 31 August 2012.

本公司已成立審核委員會，藉以檢討及監察本公司之財務申報程序及內部監控制度。審核委員會現由本公司1名非執行董事及2名獨立非執行董事組成，並由其中1名獨立非執行董事擔任審核委員會主席。審核委員會已審閱本公司截至2012年8月31日止12個月之未經審核第二次中期業績。

REMUNERATION COMMITTEE 薪酬委員會

The Company has established a Remuneration Committee for the purposes of making recommendations to the Board on the Company’s remuneration policy and structure for directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remunerations. The Remuneration Committee presently comprises one executive director and two independent non-executive directors of the Company, and one of the independent non-executive directors acts as the chairman of the Remuneration Committee.

本公司已成立薪酬委員會，藉以向董事會就董事及高級管理人員的薪酬政策及架構，以及就設立正規而具透明度的程序制訂此等薪酬政策提供建議。薪酬委員會現由本公司1名執行董事及2名獨立非執行董事組成，並由其中1名獨立非執行董事擔任薪酬委員會主席。

On behalf of the Board
Fountain Set (Holdings) Limited
Li Lan
Chairman

Hong Kong, 26 October 2012

As at the date of this announcement, the Board comprises six executive directors, namely, Madam Li Lan, Mr. Ha Chung Fong, Mr. Ha Kam On, Victor, Dr. Yen Gordon, Mr. Gong Zhengyi and Mr. Chen Rong; two non-executive directors, namely, Mr. Zhang Chong and Mr. Chen Minghong; and three independent non-executive directors, namely, Mr. Ng Kwok Tung, Mr. Chow Wing Kin, Anthony, SBS, JP, and Mr. Yang Shibin.