HG · 锦艺纺

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

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

2013 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Art Textile Technology International Company Limited (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 2013 together with the comparative figures for the year ended 30 June 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

		2013	2012
	NOTES	***HK$'000***	*HK$'000*
Turnover		**1,430,025**	2,106,147
Cost of sales		**(1,261,483)**	(1,907,833)
Gross profit		**168,542**	198,314
Other income	*5*	**9,459**	14,074
Gain on disposal of subsidiaries		**92,484**	–
Administrative expenses		**(41,539)**	(52,340)
Selling and distribution costs		**(22,739)**	(25,218)
Other expenses		**(3,142)**	(3,450)
Finance costs	*6*	**(45,452)**	(75,935)
Profit before tax		**157,613**	55,445
Income tax expense	*7*	**(35,740)**	(50,681)
Profit for the year	*8*	**121,873**	4,764

	NOTES	2013 HK$'000	2012 HK$'000
Other comprehensive income/(expenses)			
Reclassification adjustments relating to exchange difference upon disposal of interests in subsidiaries		**(14,128)**	–
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation		**23,896**	22,759
Other comprehensive income for the year (net of tax)		**9,768**	22,759
Total comprehensive income for the year		**131,641**	27,523
EARNINGS PER SHARE	*10*		
Basic *(HK cents per share)*		**11.71**	0.46
Diluted *(HK cents per share)*		**11.71**	0.46

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	NOTES	**2013** **HK$'000**	2012 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**95,533**	564,497
Prepaid lease payments		**19,116**	121,820
Deposits for acquisition of plant and equipment		**–**	3,972
		114,649	690,289
CURRENT ASSETS			
Inventories		**16,600**	151,690
Trade and other receivables	*11*	**76,480**	361,650
Pledged bank deposits		**48,087**	516,947
Bank balances and cash		**1,091,481**	990,434
		1,232,648	2,020,721
CURRENT LIABILITIES			
Trade and other payables	*12*	**156,824**	1,007,821
Tax liabilities		**4,876**	6,852
Secured bank borrowings		**130,696**	742,222
Obligations under finance leases		**–**	22,819
Deferred income		**–**	881
		292,396	1,780,595
NET CURRENT ASSETS		**940,252**	240,126
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,054,901**	930,415
CAPITAL AND RESERVES			
Share capital		**10,406**	10,406
Share premium and reserves		**1,035,652**	904,011
Equity attributable to owners of the Company		**1,046,058**	914,417
NON-CURRENT LIABILITIES			
Obligations under finance leases			
– due after one year		**–**	3,506
Deferred income		**–**	3,867
Deferred tax liabilities		**8,843**	8,625
		8,843	15,998
		1,054,901	930,415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate and ultimate holding company is Talent Crown Investment Limited, a private company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Chen Dong. 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 principally engaged in the manufacture and sale of garment fabrics.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Except as described below, the application of the new and revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

The consolidated financial statements have been prepared on the historical cost basis which is generally based on the fair value of the consideration given in exchange for goods.

4. SEGMENT INFORMATION

Information reported to the Board of Directors 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 sales of cotton, yarn and garment fabrics.

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

	Cotton	**Yarn**	**Garment fabrics**	**Total**
	HK$'000	***HK'000***	***HK$'000***	***HK$'000***
Year ended 30 June 2013				
Total sales	**632,495**	**68,987**	**732,217**	**1,433,699**
Inter-segment sales	**–**	**(3,674)**	**–**	**(3,674)**
Turnover (from external customers)	**632,495**	**65,313**	**732,217**	**1,430,025**
Segment results	**(4,066)**	**(61,108)**	**136,714**	**71,540**
Income tax expense				**(35,740)**
Central administration costs				**(6,411)**
Gain on disposal of subsidiaries				**92,484**
Profit for the year				**121,873**
Depreciation	**–**	**19,729**	**24,922**	**44,651**

	Cotton	Yarn	Garment fabrics	Total
	HK$'000	*HK'000*	*HK$'000*	*HK$'000*
Year ended 30 June 2012				
Total sales	889,140	395,969	836,085	2,121,194
Inter-segment sales	–	(15,047)	–	(15,047)
Turnover (from external customers)	889,140	380,922	836,085	2,106,147
Segment results	(1,788)	(136,781)	199,435	60,866
Income tax expense				(50,681)
Central administration costs				(5,421)
Profit for the year				4,764
Depreciation	–	39,260	27,793	67,053

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

5. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Bank interest income	**8,486**	13,788
Others	**973**	286
	9,459	14,074

6. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on		
– Bank borrowings wholly repayable within five years	**44,482**	72,676
– Finance leases	**970**	3,259
	45,452	75,935

7. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Income tax recognised in profit or loss		
PRC Enterprise Income Tax ("EIT")		
– Current income tax	**34,803**	49,708
– Under provision in the prior years	**937**	973
	35,740	50,681

Hong Kong Profits Tax was calculated at 16.5% (2012: 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 (2012: 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.

8. PROFIT FOR THE YEAR

	2013	2012
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging/(crediting):		
Staff costs		
– directors' emoluments	**4,678**	4,678
– other staff's salaries and other benefits	**28,599**	35,476
– other staff's retirement benefit scheme contributions	**4,013**	3,875
	37,290	44,029
(Reversal)/allowance for doubtful debts	**(515)**	636
Auditor's remuneration	**800**	800
Depreciation of property, plant and equipment	**44,684**	67,122
Exchange loss, net	**627**	1,266
Gain on disposal of subsidiaries	**(92,484)**	–
(Gain)/loss on disposal of property, plant and equipment	**(32)**	113
Release of prepaid lease payments	**1,697**	2,885
Research and development costs	**3,030**	1,423

9. DIVIDENDS PAID

No dividend was paid or proposed for the year ended 30 June 2013 nor has any dividend been proposed since the end of the reporting period (2012: Nil).

10. EARNINGS PER SHARE

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

	2013	2012
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to the owners of the Company and earnings for the purposes of basic and diluted earnings per share	**121,873**	4,764

	2013	2012
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,040,602**	1,040,602
Effect of dilutive potential ordinary shares in respect of share options issued by the Company	**–**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,040,602**	1,040,602

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise prices of those options are higher than the average market prices for the Company's shares for both 2012 and 2013.

11. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**73,614**	165,249
Less: Allowance for doubtful debts	**(733)**	(1,217)
	72,881	164,032
Prepayment to suppliers	**–**	186,719
Others	**3,101**	7,994
Prepaid lease payments – current portion	**498**	2,905
	76,480	361,650

As at 30 June 2013, no trade receivables of the Group were denominated in USD (2012: HK$496,000).

The Group allows average credit period ranging from 30 days to 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
0 – 60 days	**69,171**	157,860
61 – 90 days	**–**	3,199
Over 90 days	**3,710**	2,973
Trade receivables	**72,881**	164,032

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. 95% (2012: 98%) of the trade receivables that are neither past due nor impaired have good credit rating under the internal credit assessment adopted by the Group.

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK$3,710,000 (2012: HK$2,973,000) 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 days to 60 days (2012: 91 days to 120 days) for the year ended 30 June 2013.

Ageing of past due but not impaired:

Overdue by:	**2013**	2012
	HK$'000	*HK$'000*
1 – 60 days	**747**	602
61 – 90 days	**2,366**	871
Over 90 days	**597**	1,500
Total	**3,710**	2,973

The Group has reversed the impairment loss of HK$515,000 for the year ended 30 June 2013 (2012: impairment loss of HK$636,000). The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts:

	2013	2012
	HK$'000	*HK$'000*
Balance at beginning of the year	**1,217**	567
Impairment loss recognised on receivables	**–**	636
Reversal of impairment loss recognised	**(515)**	–
Exchange realignment	**31**	14
Balance at end of the year	**733**	1,217

12. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**35,955**	46,596
Bill payables	**102,947**	916,428
Other payables	**17,922**	44,797
	156,824	1,007,821

The average credit period on trade payables was 45 days (2012: 45 days) for the year ended 30 June 2013. The average credit period on bill payables ranged from 90 days to 180 days (2012: 90 days to 180 days) for the year ended 30 June 2013.

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

	2013	2012
	HK$'000	*HK$'000*
0 – 60 days	**53,550**	514,823
61 – 90 days	**53,707**	60,765
Over 90 days	**31,645**	387,436
Trade and bill payables	**138,902**	963,024

MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial Review

The Group is principally engaged in the manufacture and sale of cotton, yarn and garment fabrics targeting at mid-to-high-end markets both in the PRC and overseas during the current year. The Group has vertically integrated its production process to include research and development, yarn spinning, grey fabric trial weaving, garment fabric dyeing and setting, cloth finishing such as pattern pressing and calendaring. The Group's yarn is used for knitting into pure cotton knit fabrics and garment fabrics are used for manufacturing down wear, sportswear, household products such as sofas and curtains and men's and women's fashions. For the purpose of maintaining steadier supply and better quality control of grey fabrics for the dyeing process, the Group designates some suppliers to weave these fabrics based on the samples researched and developed by it, which in turn enlarges the varieties of down wear, sportswear and household products with different nature and consequently, boosts the Group's market expansion.

In the end of December 2012, the Group disposed of a few subsidiaries principally engaged in the manufacture and sale of cotton and yarn due to significant losses incurred by them in the past few years as a result of gradual fierce involvement of the PRC government in the cotton market to safeguard the interests of local cotton farmers and the stringent restriction of imported cotton quota to minimise the supply of overseas cotton with lower selling prices into the PRC. As a result, the Group as a whole was affected by the broad fluctuation of cotton prices during the year and the increase in raw material costs consequently reduced its total profits. In addition, the yarn market in the PRC remained weak throughout 2012 and market demand decreased, which in turn significantly reduced the yarn production volumes of Zhengzhou Hongye Textile Company Limited and Zhengzhou Huatai Textile Company Limited compared with those in last financial year. Furthermore, fixed production costs, such as salary and wages and depreciation costs and increased cost of production per ton negatively affected the gross profit margin of the Group. The Group therefore disposed of the cotton and yarn segments and put its focus on garment fabrics, which is a more profitable segment, for its long term advantage.

To implement the Group's plan in expanding sales markets, the Group participated in the textile fair held in Shanghai, the PRC during the year so as to promote and sell its products to more customers.

Turnover

For the financial year ended 30 June 2013, the Group recorded a turnover of approximately HK$1,430,025,000 (2012: HK$2,106,147,000), approximately 32.1% less than that for the year ended 30 June 2012. The decrease in turnover was attributable to significant decrease in the turnover of cotton, yarn and garment fabrics during the current financial year. The decrease in the total turnover of cotton and yarn for the year ended 30 June 2013 was due to the disposal of a few subsidiaries principally engaged in the manufacture and sale of cotton and yarn (the "Disposal Group") in the end of December 2012 as a result of their gloomy business prospects as well as the significant reduction of their sales which was in line with the drop in sales volume of cotton and production volume of yarn as a consequence of weak markets and shrinkage of apparel demand from overseas end consumers. The decrease in the turnover of garment fabrics was because of the decrease in market demand by overseas apparel end consumers in view of the continuous downturn of the economies in Europe and America, which resulted in fewer purchase orders placed with the PRC garment fabrics manufacturers as a whole.

Gross Profit

The gross profit margin of the Group was approximately 11.8% for the year ended 30 June 2013, which compared with that for the year ended 30 June 2012 of approximately 9.4%. The increase was due to the disposal of the Disposal Group in the end of December 2012, which in turn, placed less pressure on the total cost of sales. The Disposal Group incurred substantial raw material costs during the year owing to cotton cost control policies and restriction on import quota of low-priced overseas cotton implemented by the PRC government for the benefits of local cotton farmers. At the same time, the gross profit margin was negatively affected by fixed production costs, such as salaries and wages and depreciation costs and increased cost of production per ton. Despite the increased raw material costs and labour costs for the garment fabrics segment, the benefits of the disposal of the Disposal Group far outweighed the costs, which attributed to the increase in the gross profit margin to a certain extent.

Profit for the Year

The Group's profit for the financial year ended 30 June 2013 increased significantly from the Group's profit for the year ended 30 June 2012. The Group's profit was approximately HK$121,873,000 (2012: HK$4,764,000) for the year ended 30 June 2013; and net profit margin increased significantly from approximately 0.2% for the year ended 30 June 2012 to 8.5% for the year ended 30 June 2013. These surges were due to the gain on disposal of the Disposal Group amounting to approximately HK$92,484,000.

Despite the gain on disposal, the cotton segment was negatively affected by the continuous fluctuation in raw material costs due to the participation of the PRC government in the cotton market in order to safeguard the interests of local cotton farmers and to regulate and supervise general economic environment. In addition to the above reason, some internal and external factors such as fixed production costs and contraction in market demand, the yarn segment incurred a sizeable loss as well. The garment fabrics segment was also negatively affected by the falling market demand of overseas apparel end consumers in view of the continuous downturn of the economies in Europe and America, which resulted in fewer purchase orders placed with the PRC garment fabrics manufacturers as a whole. During the year ended 30 June 2013, higher raw material costs and labour costs along with a general increase in operating expenses arising from inflation were incurred, which in turn decreased the result of the garment fabrics segment.

Other income

The Group's other income for the financial year ended 30 June 2013 was approximately HK$9,459,000 (2012: HK$14,074,000), which was approximately 32.8% less than that for the year ended 30 June 2012. Such decrease was attributable to a decrease in bank interest rates announced by the People's Bank of China, as well as a decrease in the balance of the Group's bank deposits during the financial year.

Expenses

Administrative expenses amounted to approximately HK$41,539,000 (2012: HK$52,340,000), representing approximately 2.9% (2012: 2.5%) of the turnover for the year ended 30 June 2013. Administrative expenses decreased by approximately 20.6% when compared with those for the year ended 30 June 2012, which was mainly due to the decrease in daily operation costs of the Disposal Group as a consequence of its disposal in the end of December 2012.

Selling and distribution costs amounted to approximately HK$22,739,000 (2012: HK$25,218,000), representing approximately 1.6% (2012: 1.2%) of the turnover for the year ended 30 June 2013. Selling and distribution costs decreased by approximately 9.8% compared to those for the year ended 30 June 2012, which was mainly due to the decrease in delivery charges and promotional expenses spent as a result of the disposal of the Disposal Group in the end of December 2012.

Other expenses amounted to approximately HK$3,142,000 (2012: HK$3,450,000), representing approximately 0.2% (2012: 0. 2%) of turnover for the year ended 30 June 2013 and remained steady when compared with those for the year ended 30 June 2012.

Gain on disposal of subsidiaries amounted to approximately HK$92,484,000 (2012: Nil), representing approximately 6.5% (2012: Nil) of the turnover for the year ended 30 June 2013. This was attributable to the disposal of net liabilities and cumulative exchange differences of a few subsidiaries deducted from the consideration of their disposal.

Finance costs amounted to approximately HK$45,452,000 (2012: HK$75,935,000), representing approximately 3.2% (2012: 3.6%) of the turnover for the year ended 30 June 2013. The substantial decrease was due to fewer bank loans and bills undertaken by the Group during the financial year as a consequence of the disposal of the Disposal Group in the end of December 2012.

Dividend

The Board does not recommend the payment of a final dividend for the year ended 30 June 2013 (2012: Nil).

FUTURE PLANS AND PROSPECTS

The Group's current strategy and business plan is to place additional resources on the more profitable garment fabrics segment, through sustaining efforts in research and development of new products and improvement of existing products, to maintain good and close relationship with distribution agents and valuable customers, to strengthen its current sales and marketing teams in major textile sales outlets in the PRC and to manufacture extensive varieties of garment fabrics by the Group's existing state-of-the-art dyeing machineries and equipment. The Group will continue to designate certain suppliers to weave grey fabrics based on the samples researched and developed by it in order to ensure a steady supply and better quality control for the dyeing process. In addition, a new and comprehensive research and development centre is under construction and expected to be in use by the end of 2013. Wide-ranging and different kinds of garment fabrics will be explored and innovated for the purposes of product competitiveness, market expansion and profit upsurge in future. By leveraging on the above strategies and its established strengths, experience and foresight, the Group will continue to seize opportunities to meet the needs of the dynamic textile and garment markets, explore new markets and increase profit margin.

The future development of the textile industry in the PRC is still expected to face significant challenges and uncertainties in the business environment, such as fluctuation in raw material costs, lower labour costs in nearby countries, such as Vietnam, India and Cambodia, intensifying international trade protectionism, continuous economic depression in Europe and America and unpredictable inflation. In view of the continuous downturn of the economies in Europe and America, the Group will focus more on local markets and other overseas markets, such as the Middle East. Furthermore, the Group has implemented conservative and stringent cost control policies and measures in order to ensure sufficient working capital by imposing control over capital expenditure, enhancing inventory management and strengthening accounts receivable management.

Looking forward, the Group will continue to set up new and modern machineries, reinforce the product development team, increase product mix, increase market promotion and distribution network in the PRC and overseas markets. The business growth of the Group is expected to accelerate and accordingly, the positive outcomes will be gradually reflected in the future with the recovery of the worldwide economy. Moreover, the Group will continue to capture opportunities for expansion and diversify its business for long term development in order to maximize the values of the shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group had net current assets and total assets less current liabilities of approximately HK$940,252,000 (2012: HK$240,126,000) and HK$1,054,901,000 (2012: HK$930,415,000), respectively. The Group maintains a sound financial position by financing its operations with internally generated resources, bills and bank loans. As at 30 June 2013, the Group had cash and bank deposits of approximately HK$1,139,568,000 (2012: HK$1,507,381,000). The current ratio of the Group was approximately 421.6% (2012: 113.5%).

Shareholders' fund of the Group as at 30 June 2013 was approximately HK$1,046,058,000 (2012: HK$914,417,000). As at 30 June 2013, the total bank borrowings of the Group, repayable within 12 months from the end of the reporting period, denominated in RMB103,250,000 were equivalent to HK$130,696,000 (2012: HK$742,222,000). There was no obligation under finance leases for machinery and equipment as at 30 June 2013 (2012: HK$26,325,000). As at 30 June 2013, the gross debt gearing ratio (i.e. total borrowings/ shareholders' fund) was approximately 12.5% (2012: 84.0%).

The Group has maintained and will continue to maintain 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 2013, the total banking facilities of the Group amounted to approximately HK$219,304,000 (2012: HK$1,635,649,000), of which, approximately HK$185,557,000 (2012: HK$1,557,144,000) was utilized.

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 terms.

CAPITAL STRUCTURE

As at 30 June 2013, 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 2013, certain leasehold land and buildings and plant and machinery of the Group with aggregate carrying values of approximately HK$36,100,000 (2012: HK$323,252,000) and approximately HK$33,373,000 (2012: HK$226,745,000), respectively, were pledged to banks to secure banking facilities granted to the Group; together with the bank deposits of the Group of approximately HK$48,087,000 (2012: HK$516,947,000).

No plant and machinery of the Group was held under finance leases as at 30 June 2013 while the aggregate carrying value of the Group's certain plant and machinery held under finance leases was approximately HK$114,852,000 as at 30 June 2012.

No inventories were pledged as securities for bank borrowings as at 30 June 2013 while certain inventories with carrying values of approximately HK$70,735,000 were pledged as securities for bank borrowings as at 30 June 2012.

CAPITAL EXPENDITURE

During the year ended 30 June 2013, the Group invested approximately HK$26,714,000 (2012: HK$25,024,000) in property, plant and equipment, of which 15.0% (2012: 9.7%) was used for purchase of plant and machinery, 79.9% (2012: 83.0%) for construction of auxiliary facilities, and the remaining was used for purchase of other property, plant and equipment.

As at 30 June 2013, the Group had capital commitments of approximately HK$1,949,000 (2012: HK$20,058,000) in property, plant and equipment. The capital commitments for the year ended 30 June 2012 were funded by internally generated resources, finance leases and bank loans.

STAFF POLICY

The Group had 502 employees altogether in the PRC and Hong Kong as at 30 June 2013. 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 1 September or 19 September 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 2013, 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 who 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 2013.

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 2013.

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 (including Mr. Huang Yongfeng) have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 30 June 2013.

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 2013 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
Chen Jinyan
Chairman

Hong Kong, 27 September 2013

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. Lo Kin Chung, Mr. Yang Zeqiang and Mr. Yu Zhongming.