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)

2014 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 2014 together with the comparative figures in 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	NOTES	**2014** **HK$'000**	2013 *HK$'000*
Turnover		**492,939**	1,430,025
Cost of sales		**(404,154)**	(1,261,483)
Gross profit		**88,785**	168,542
Other income	*5*	**5,586**	9,459
Gain on disposal of subsidiaries		**–**	92,484
Administrative expenses		**(35,303)**	(41,539)
Selling and distribution costs		**(16,909)**	(22,739)
Other expenses		**(3,232)**	(3,142)
Finance costs	*6*	**(7,532)**	(45,452)
Profit before tax		**31,395**	157,613
Income tax expense	*7*	**(15,993)**	(35,740)
Profit for the year	*8*	**15,402**	121,873

	NOTES	**2014**	2013
		HK$'000	*HK$'000*
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Reclassification adjustments relating to exchange difference upon disposal of interests in subsidiaries		**–**	(14,128)
Exchange differences arising on translation		**–**	23,896
Other comprehensive income for the year (net of income tax)		**–**	9,768
Total comprehensive income for the year		**15,402**	131,641
EARNINGS PER SHARE	*10*		
Basic *(HK cents per share)*		**1.48**	11.71
Diluted *(HK cents per share)*		**1.48**	11.71

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**91,236**	95,533
Prepaid lease payments		**18,619**	19,116
		109,855	114,649
CURRENT ASSETS			
Inventories		**12,325**	16,600
Trade and other receivables	*11*	**351,476**	76,480
Pledged bank deposits		**25,316**	48,087
Bank balances and cash		**740,659**	1,091,481
		1,129,776	1,232,648
CURRENT LIABILITIES			
Trade and other payables	*12*	**82,272**	156,824
Tax liabilities		**2,880**	4,876
Secured bank borrowings		**56,962**	130,696
		142,114	292,396
NET CURRENT ASSETS		**987,662**	940,252
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,097,517**	1,054,901
CAPITAL AND RESERVES			
Share capital		**10,406**	10,406
Share premium and reserves		**1,066,534**	1,035,652
Equity attributable to owners of the Company		**1,076,940**	1,046,058
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**10,808**	8,843
Bond		**9,769**	–
		20,577	8,843
		1,097,517	1,054,901

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Fully Chain Limited, a private company incorporated in the British Virgin Islands. 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 principally engaged in the manufacture and sale of garment fabrics, trading of textile materials and real estate.

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

In the current year, the Group has applied, for the first time, a number of Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC) – Int") (hereinafter collectively referred to as the "new HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on or after 1 July 2013.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRSs 10, 11 and 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

The application of the new and revised HKFRSs in the current year has had 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. 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.

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.

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 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.

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 textile products which includes garment fabrics and textile materials, and from real restate for the year ended 30 June 2014 because the subsidiaries with principal activities in sales of cotton and yarn were disposed of by the Group on 31 December 2012.

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

Two external customers with each of their turnover amounted to 10 per cent or more of the Group's turnover for the years ended 30 June 2014 and 30 June 2013. The total amount of turnover from the first customer was HK$63,986,000 (2013: HK$323,495,000) and from the second customer was HK$60,623,000 (2013: HK$196,627,000) and all of them were from textile products segment.

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

	Textile Products *HK$'000*	**Real Estate** *HK$'000*	**Total** *HK$'000*
Year ended 30 June 2014			
Turnover	492,939	–	492,939
Segment results	52,585	(108)	52,477
Income tax expense			(15,993)
Central administration costs			(21,082)
Profit for the year			15,402
Depreciation	23,201	–	23,201

	Textile Products *HK$'000*	Real Estate *HK$'000*	Total *HK$'000*
Year ended 30 June 2013			
Turnover	1,430,025	–	1,430,025
Segment results	71,540	–	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	44,651	–	44,651

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

	2014 ***HK$'000***	2013 *HK$'000*
Bank interest income	**5,078**	8,486
Others	**508**	973
	5,586	9,459

6. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on		
– Bank borrowings wholly repayable within five years	**6,862**	44,482
– Finance leases	**–**	970
– Bond	**670**	–
	7,532	45,452

7. INCOME TAX EXPENSE

	2014	2013
	HK$'000	*HK$'000*
Income tax recognised in profit or loss		
PRC Enterprise Income Tax ("EIT")		
– Current income tax	**13,330**	34,803
– Under provision in the prior years	**698**	937
Deferred tax	**1,965**	–
	15,993	35,740

Hong Kong Profits Tax was calculated at 16.5% (2013: 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%.

Deferred tax of HK$1,965,000 (2013: 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

	2014	2013
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging/(crediting):		
Staff costs		
– directors' emoluments	**4,122**	4,678
– other staff's salaries and other benefits	**24,404**	28,599
– other staff's retirement benefit scheme contributions	**4,116**	4,013
– share-based payment	**15,480**	–
	48,122	37,290
Allowance/(reversal) for doubtful debts	**123**	(515)
Auditor's remuneration	**750**	800
Depreciation of property, plant and equipment	**23,204**	44,684
Exchange (gain)/loss, net	**(23)**	627
Loss/(gain) on disposal of property, plant and equipment	**80**	(32)
Release of prepaid lease payments	**498**	1,697
Research and development costs	**3,024**	3,030

9. DIVIDENDS PAID

No dividend was paid or proposed for the year ended 30 June 2014 nor has any dividend been proposed since the end of the reporting period (2013: 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:

	2014	2013
	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	**15,402**	121,873

	2014	2013
	'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	**3,168**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,043,770**	1,040,602

The calculation of diluted earnings per share in 2013 had not assumed the exercise of the share options as these potential ordinary shares were anti-dilutive during 2013.

The computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of these options were higher than the average market prices for the Company's shares for the year ended 30 June 2013.

11. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**85,597**	73,614
Less: Allowance for doubtful debts	**(856)**	(733)
	84,741	72,881
Deposits to suppliers	**263,635**	–
Others	**2,602**	3,101
Prepaid lease payments – current portion	**498**	498
Total trade and other receivables	**351,476**	76,480

At 30 June 2014, no trade receivables of the Group were denominated in USD (2013: Nil).

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, which approximated the respective revenue recognition dates:

	2014	2013
	HK$'000	*HK$'000*
0 – 90 days	**77,078**	69,171
Over 90 days	**7,663**	3,710
Trade receivables	**84,741**	72,881

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. 91% (2013: 95%) 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$7,663,000 (2013: HK$3,710,000) 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 60 days (2013: 0 to 60 days) for the year ended 30 June 2014.

Ageing of trade receivables which are past due but not impaired

Overdue by:	**2014**	2013
	HK$'000	*HK$'000*
1 – 60 days	**1,972**	747
61 – 90 days	**3,963**	2,366
Over 90 days	**1,728**	597
Total	**7,663**	3,710

The Group has provided an impairment loss of HK$123,000 for the year ended 30 June 2014 (2013: reversal of impairment loss of HK$515,000). The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts:

	2014	2013
	HK$'000	*HK$'000*
Balance at beginning of the year	**733**	1,217
Impairment loss recognised on receivables	**123**	–
Reversal of impairment loss recognised	**–**	(515)
Exchange realignment	**–**	31
Balance at end of the year	**856**	733

12. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**23,337**	35,955
Bill payables	**50,633**	102,947
Other payables	**8,302**	17,922
	82,272	156,824

The average credit period on trade payables was 45 days (2013: 45 days) for the year ended 30 June 2014. The average credit period on bill payables ranged from 180 days to 365 days (2013: 90 days to 180 days) for the year ended 30 June 2014.

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

	2014	2013
	HK$'000	*HK$'000*
0 – 60 days	**22,570**	53,550
61 – 90 days	**–**	53,707
Over 90 days	**51,400**	31,645
Trade and bill payables	**73,970**	138,902

MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial Review

The Group is principally engaged in the manufacture and sale of 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, grey fabric trial weaving, garment fabric dyeing and setting, cloth finishing such as pattern pressing and calendaring. The Group's garment fabrics are used for manufacturing down wear, sportswear, household products such as sofas and curtains and men's and women's fashion. For the purpose of maintaining steady supply and better quality control of grey fabrics for the dyeing process, the Group designates some suppliers to produce these fabrics based on the samples researched and developed by it, which in turn broadens the varieties of down wear, sportswear and household products with different nature and consequently, enhances the market demand for these products and therefore the Group's products. Furthermore, the Group attempts to diversify its businesses during the current year and resources have been placed into trading of textile materials and real estate aspects in order to explore future prospects and develop the relevant markets.

In the end of December 2012, the Group disposed of a few subsidiaries principally engaged in the manufacture and sale of cotton and yarn (the "Disposal Group") 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 and the increase in raw material costs consequently reduced its total profits. In addition, the yarn market in the PRC remained weak in the past few years and market demand decreased which in turn significantly and continuously reduced the yarn production volumes of the Disposal Group when compared with that at the time of its acquisition. Furthermore, fixed production costs, such as salary and wages and depreciation costs, increased cost of production per ton have negatively affected the gross profit margin of the Group. The Group therefore disposed of the cotton and yarn businesses in order to focus more on other profitable businesses, for its long term advantage.

To implement the Group's plan in expanding the sales markets, the Group would participate in both local and overseas textile trade fairs so as to promote and sell its products to more customers.

Turnover

For the financial year ended 30 June 2014, the Group recorded a turnover of approximately HK$492,939,000 (2013: HK$1,430,025,000), approximately 65.5% less than that in 2013. The decrease in turnover was principally attributable to significant decrease in turnover of textile products, including garment fabrics and textile materials during the current year due to the disposal of the Disposal Group in the end of December 2012 as a result of its continuous gloomy business environment in the future, as well as its sales reduced significantly 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. During the current year, the decrease in turnover of garment fabrics was because of the falling market demand by local customers and overseas apparel end consumers. The former was due to instabilities of the PRC economy and the latter was attributable to the continuous downturn of the economies in Europe and America and therefore fewer purchase orders were placed with the PRC garment fabric manufacturers. The enormous decrease in turnover of textile materials was due to the commencement of its trading just before the end of this financial year in view of its expected upward trend of selling prices, simple trading procedures and no manufacturing process needed to be carried out.

Gross Profit

The gross profit margin of the Group was approximately 18.0% for the year ended 30 June 2014, which compared with that for the year ended 30 June 2013 of approximately 11.8%. The significant increase was due to the disposal of the Disposal Group in the end of December 2012, which in turn, released heavy burden on total cost of sales. The Disposal Group incurred substantial raw material costs for the year ended 30 June 2013 owing to cotton cost control policies and restriction on import quota of low-priced overseas cotton implemented by the PRC government for the privileges of local cotton farmers. On the other hand, though there were higher raw material costs and labour charges for the sales of garment fabrics during the current year, the benefits of the disposal of the unprofitable segments far outweighed the costs, which eventually increased the gross profit margin to certain extent.

Profit for the Year

The Group's profit for the current year decreased significantly from the Group's profit for the year ended 30 June 2013. The Group's profit was approximately HK$15,402,000 (2013: HK$121,873,000). The decrease was principally due to the gain on disposal of the Disposal Group, of approximately HK$92,484,000, with its principal activities in the manufacture and sale of cotton and yarn which was disposed of in the end of December 2012 as a consequence of their significant amount of losses incurred and accumulated in the past few years and simultaneously lowered the aggregate profit and earnings of the Group. The net profit margin decreased from approximately 8.5% in 2013 to 3.1% for the year ended 30 June 2014 and such decrease was principally due to no gain on disposal of the Disposal Group and with expenses arising from share-based payment transactions incurred as a consequence of the grant of 104,000,000 share options during the current year.

For the year ended 30 June 2014, the result of textile products segment dropped significantly mainly due to the falling market demand by local customers and overseas apparel end consumers. The former was due to economic instabilities in the PRC and the latter was attributable to the continuous downturn of the economies in Europe and America and fewer purchase orders were placed with the PRC manufacturers. Higher raw material costs and labour charges with a general rise of operating expenses arising from inflation also contributed to the reduction. Real estate segment was at the very preliminary stage and only limited expenditure was incurred during the current year. The real estate segment was explored because of increasing population and consuming power in the PRC and a strong market potential is foreseeable.

Other income

The Group's other income for the financial year ended 30 June 2014 was approximately HK$5,586,000 (2013: HK$9,459,000), which was approximately 40.9% less than that in 2013. Such decrease was attributable to a decrease in the balance of bank deposits throughout the current year as a result of the disposal of the Disposal Group in the end of December 2012.

Expenses

Administrative expenses amounted to approximately HK$35,303,000 (2013: HK$41,539,000), representing approximately 7.2% (2013: 2.9%) of turnover for the year ended 30 June 2014. Administrative expenses decreased by approximately 15.0% when compared with that of 2013 because no operation costs incurred throughout the current year by the Disposal Group as a consequence of its disposal in the end of December 2012, but there were expenses arising from share-based payment transactions as a result of the grant of 104,000,000 share options during the current year.

Selling and distribution costs amounted to approximately HK$16,909,000 (2013: HK$22,739,000), representing approximately 3.4% (2013: 1.6%) of turnover for the year ended 30 June 2014. Selling and distribution costs decreased by approximately 25.6% compared to those for the year ended 30 June 2013, which was due to no significant 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$3,232,000 (2013: HK$3,142,000), representing approximately 0.7% (2013: 0.2%) of turnover for the year ended 30 June 2014 and remained steady when compared with the corresponding year in 2013.

Gain on disposal of subsidiaries amounted to approximately HK$92,484,000, representing approximately 6.5% 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$7,532,000 (2013: HK$45,452,000), representing approximately 1.5% (2013: 3.2%) of turnover for the year ended 30 June 2014. The substantial decrease was due to fewer bank loans and bills undertaken by the Group during the current 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 2014 (2013: Nil).

FUTURE PLANS AND PROSPECTS

The Group's current strategy and business plan is to place resources on the profitable garment fabrics sales, 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 machinery 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 built and in use during the current year. 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 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 market and other overseas markets, such as the Middle East. Furthermore, the Group has implemented conservative and stringent cost control policies 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 machinery, reinforce the product development team, increase product mix, increase market promotion and distribution network in the PRC and overseas markets. The Group will also place additional resources to seek opportunities in the development of real estate market. The business growth of the Group is expected to accelerate and accordingly, the positive outcome 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 2014, the Group had net current assets and total assets less current liabilities of approximately HK$987,662,000 (2013: HK$940,252,000) and HK$1,097,517,000 (2013: HK$1,054,901,000), respectively. The Group maintains a sound financial position by financing its operations with internally generated resources, bond, bills and bank loans. As at 30 June 2014, the Group had cash and bank deposits of approximately HK$765,975,000 (2013: HK$1,139,568,000). The current ratio of the Group was approximately 795.0% (2013: 421.6%).

Shareholders' fund of the Group as at 30 June 2014 was approximately HK$1,076,940,000 (2013: HK$1,046,058,000). As at 30 June 2014, the total bank borrowings of the Group, repayable within 12 months from the end of the reporting period, denominated in RMB45,000,000 were equivalent to HK$56,962,000 (2013: HK$130,696,000) and a bond measured at amortised cost was HK$9,769,000 (2013: Nil). As at 30 June 2014, the gross debt gearing ratio (i.e. total borrowings and bond/shareholders' fund) was approximately 6.2% (2013: 12.5%).

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 2014, the total banking facilities of the Group amounted to approximately HK$94,937,000 (2013: HK$219,304,000), of which, approximately HK$82,278,000 (2013: HK$185,557,000) was utilized. In addition, a bond amounted to approximately HK$9,769,000 (2013: Nil), measured at amortised cost, was arranged with an independent third party during the current year.

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 2014, 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 rate 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 2014, certain leasehold land and buildings of the Group with aggregate carrying value of approximately HK$49,294,000 (2013: HK$36,100,000) was pledged to banks to secure banking facilities granted to the Group, together with the bank deposits of the Group of approximately HK$25,316,000 (2013: HK$48,087,000).

As at 30 June 2013, certain plant and machinery with aggregate carrying value of approximately HK$33,372,000 was pledged to banks to secure banking facilities granted to the Group.

CAPITAL EXPENDITURE

During the year ended 30 June 2014, the Group invested approximately HK$19,195,000 (2013: HK$26,714,000) in property, plant and equipment, of which 96.5% (2013: 15.0%) was used for purchase of plant and machinery, 3.5% (2013: 79.9%) for construction of auxiliary facilities, but no purchase of other property, plant and equipment (2013: 5.1%).

As at 30 June 2014, the Group had capital commitments of approximately HK$7,716,000 (2013: HK$1,949,000) in property, plant and equipment. The capital commitments for the year ended 30 June 2013 were funded by internally generated resources and bank loans.

STAFF POLICY

The Group had 423 employees altogether in the PRC and Hong Kong as at 30 June 2014. 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 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 2014, 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 2014.

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 2014.

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. Yu Zhongming and Mr. Lo Kin Chung who had resigned as the independent non-executive directors of the Company with effect from 15 October 2013) have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 30 June 2014.

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 2014 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, 26 September 2014

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. Lin Ye, Mr. Yang Zeqiang and Ms. Yau Lai Ying.