Grand Concord International Holdings Limited
廣豪國際控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 844

Annual Report 2011

Contents

Corporate Information

Executive Directors

Mr. Wong Kin Ling
Madam Hung Kin
Mr. Wang Shao Hua
Mr. Wei Jin Long

Independent non-executive Directors

Mr. Wang Jin Tang
Ms. Tay Sheve Li
Dr. Chan Ah Pun

Authorised representatives

Mr. Wong Kin Ling
Madam Hung Kin

Audit Committee

Ms. Tay Sheve Li *(Chairman)*
Mr. Wang Jin Tang
Dr. Chan Ah Pun

Remuneration Committee

Mr. Wang Jin Tang *(Chairman)*
Mr. Wong Kin Ling
Ms. Tay Sheve Li
Dr. Chan Ah Pun

Nomination Committee

Dr. Chan Ah Pun *(Chairman)*
Mr. Wong Kin Ling
Ms. Tay Sheve Li

Company Secretary

Mr. Lee Yin Sing, *CPA*

Auditor

SHINEWING (HK) CPA Limited

Compliance adviser

Celestial Capital Limited

Legal adviser

As to Hong Kong law:
Pang & Co. in association with Salans LLP

Registered office

P.O. Box 3340,
Road Town,
Tortola,
British Virgin Islands

Headquarters and principal place of business in Hong Kong

Units 1108-1109,
11/F Tower II, Enterprise Square,
9 Sheung Yuet Road,
Kowloon Bay,
Kowloon, Hong Kong

Principal place of business in the PRC

No. 102 Renmin Dong Road,
Zhucheng City,
Shandong Province, The PRC

Principal share registrar and transfer office in BVI

Tricor Services (BVI) Limited
P.O. Box 3340,
Road Town,
Tortola,
British Virgin Islands

Branch share registrar and transfer office in Hong Kong

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East,
Wan Chai, Hong Kong

Principal banker

Industrial and Commercial Bank of China, Zhucheng sub-branch

Listing exchange information

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 844

Company's website

www.grandconcord.com

Financial Highlights

Key Financial Information for the Last Four Years

	For the year ended 31 December/As at 31 December			
	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Key Financial Information				
Revenue	**416,547**	378,289	194,912	136,188
Gross profit	**127,506**	105,645	67,416	33,669
Profit before tax	**49,036**	66,405	40,737	9,450
Profit for the year	**29,184**	53,471	31,612	7,448
Total comprehensive income for the year	**29,324**	53,666	31,446	8,046
Non-current assets	**145,798**	129,772	99,990	93,713
Current assets	**188,405**	143,659	90,299	49,751
Current liabilities	**131,667**	140,874	125,398	107,828
Net current assets (liabilities)	**56,738**	2,785	(35,099)	(58,077)
Total assets	**334,203**	273,431	190,289	143,464
Total assets less current liabilities	**202,536**	132,557	64,891	35,636
Total equity	**196,536**	114,557	60,891	29,445
Cash and cash equivalents	**63,744**	9,454	19,761	3,870
Key Financial Ratios				
Gross profit margin	**30.6%**	27.9%	34.6%	24.7%
Net profit margin	**7.0%**	14.1%	16.2%	5.5%
Gearing ratio (1)	**20.5%**	31.4%	32.7%	41.9%
Current ratio	**1.4**	1.0	0.7	0.5
Trade receivables turnover days	**39**	33	20	22
Inventory turnover days	**72**	51	65	60

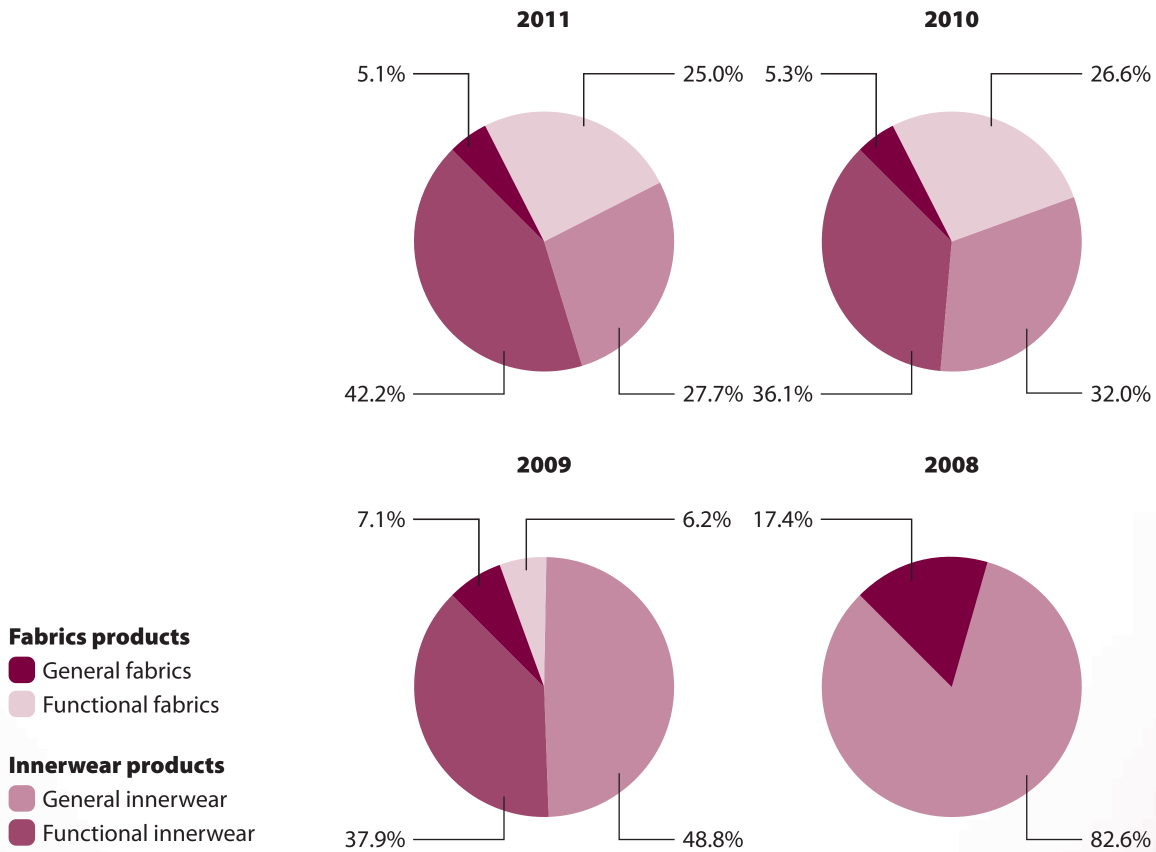
Note:

1. Gearing ratio represents the ratio between total borrowings and total assets.

Financial Highlights

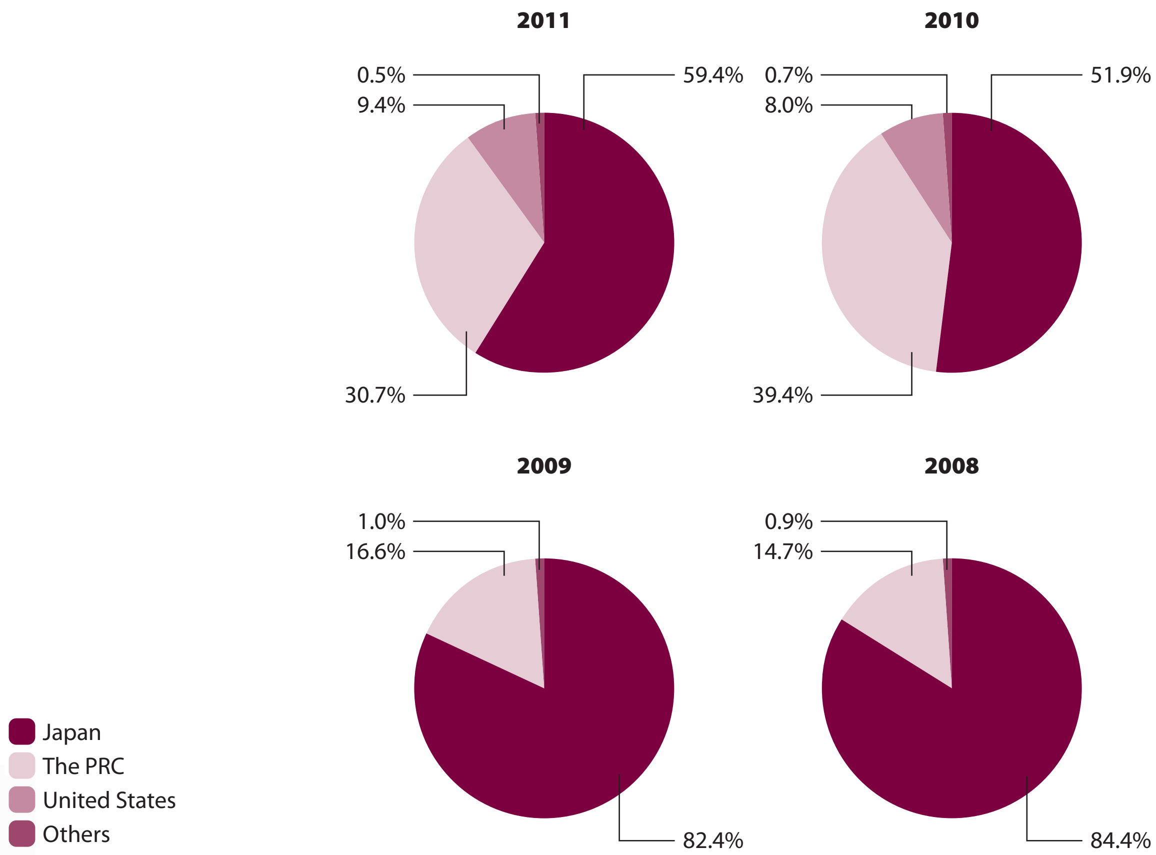
Revenue of the Group Analysed by Product Categories

	For the year ended 31 December							
	2011		2010		2009		2008	
	RMB'000		RMB'000		RMB'000		RMB'000	
Revenue of the Group by products								
Fabrics products								
General fabrics	**21,379**	**5.1%**	19,911	5.3%	13,773	7.1%	23,640	17.4%
Functional fabrics	**104,094**	**25.0%**	100,692	26.6%	12,065	6.2%	—	—
Sub-total	**125,473**	**30.1%**	120,603	31.9%	25,838	13.3%	23,640	17.4%
Innerwear products								
General innerwear	**115,410**	**27.7%**	121,005	32.0%	95,218	48.8%	112,548	82.6%
Functional innerwear	**175,664**	**42.2%**	136,681	36.1%	73,856	37.9%	—	—
Sub-total	**291,074**	**69.9%**	257,686	68.1%	169,074	86.7%	112,548	82.6%
Total	**416,547**	**100.0%**	378,289	100.0%	194,912	100.0%	136,188	100%



Revenue of the Group Analysed by Regional Distribution

	For the year ended 31 December							
	2011		2010		2009		2008	
	RMB'000		RMB'000		RMB'000		RMB'000	
Revenue of the Group by regional distribution								
Japan	**247,274**	**59.4%**	196,443	51.9%	160,595	82.4%	114,974	84.4%
The PRC	**127,798**	**30.7%**	148,896	39.4%	32,289	16.6%	20,040	14.7%
United States	**39,248**	**9.4%**	30,249	8.0%	—	—	—	—
Others	**2,227**	**0.5%**	2,701	0.7%	2,028	1.0%	1,174	0.9%
Total	**416,547**	**100.0%**	378,289	100.0%	194,912	100.0%	136,188	100.0%



Chairman's Statement

Dear shareholders,

I, on behalf of the board (the "**Board**") of directors (the "**Directors**") of Grand Concord International Holdings Limited ("**GCI**" or the "**Company**", hereinafter together with its subsidiaries referred to as the "**Group**"), wish to present the audited annual results of the Group for the year ended 31 December 2011 (the "**Financial Year**").

The year 2011 is a significant milestone for the corporate development of GCI. With the joint efforts of various professional parties, the Group has successfully listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 24 November 2011 (the "**Listing**"). The good response in the capital market and the rising share price reflected the recognition of the competition edges of GCI by investors and their confidence regarding the Group's business prospects. The Listing will not only help to improve corporate image, strengthen financial strength and enhance corporate governance and transparency, but will also enable the Group to converge with the international capital market, hence expanding the room for future growth.

In 2011, the global economy was hit by a number of uncertainties including the debt crisis in Europe, the earthquake in northeast Japan and the political instability in the Middle East and North Africa (the "**MENA**"). Despite the overall economy in the People's Republic of China (the "**PRC**" or "**China**") remained steady growth, the operating environment was weak in the domestic textile and apparel industry. In particular, the price in cotton rose to a record high, with increased labor costs, the rising value in RMB and the increase in price in a full range caused by inflation, as well as tightening banking credit policy imposed more pressure on corporate financing, all of which resulted in a material increase in the cost of most companies.

Faced with a series of challenges brought about by the external environment, the Group, leveraging on the vertically-integrated business model and the long-term stable cooperation relationships with major customers from Japan, the United States and the PRC, was able to actively provide better products and more rapid and effective textile supply chain solutions with greater flexibility, further enhancing the Group's competitiveness in the industry. For the Financial Year, the Group recorded a steady growth in sales of fabrics and innerwear products, with the revenue of approximately RMB416.5 million, representing an increase of 10.1% over last year. However, due to the one-lump listing expenses and share-based payment in the Financial Year, the profit for the year declined to approximately RMB29.2 million and the earnings per share were RMB9 cents.

According to China National Textile and Apparel Council, since the textile industry was committed to changing development mode in 2011, it achieved a steady growth of about 27% in the annual GDP, representing a year-on-year increase of nearly 20% in the total national textile and apparel export over the last year. Meanwhile, the domestic market continued to benefit from the policy of the central government to increase domestic demand and higher income, thus the sales of apparel products remained rapid growth.

As the pioneer in the industry, GCI, focusing on its own R&D capabilities, conducts the research and development of high-margin and high value-added innovative products in an active and independent manner. In addition, it also provides customers with tailor-made fabrics or innerwear products, thereby enhancing the bargaining power of the Group and reducing the impact of the volatility in prices of raw materials. In order to meet customer demand and remain rapid business growth, for recent years, the Group has shifted its business focus from manufacturing general fabrics and innerwear to manufacturing high-margin and high value-added functional fabrics and innerwear. The management believes that with the increasingly competitive market conditions, the technology R&D and continuing optimisation of product mix will result in product differentiation, which will be helpful to both increase the average selling prices and improve profit performance as well as to maintain market competitiveness.

Chairman's Statement

To satisfy the objective to improve the international trade structure and to actively exploit the emerging markets in the "12th Five-Year Development Plan of Textile Industry", during the Financial Year, the Group maintained the sales to domestic market and overseas markets including the United States and Europe, while focusing on expanding the Japan market. With the customer trust, the Group established a good reputation. Through the introduction by existing customers, the Group gained an order of brand innerwear in Korea, hence further enlarging GCI's sales network.

In order to take more advantages of the edges of the Group's vertically-integrated operation, during the Financial Year, through investment in advanced equipment and sophisticated technology, the Group has continued to improve the production capacity and product quality, and also committed to optimise production process and increase production efficiency to conserve energy and reduce water consumption, thus reducing operating costs.

In 2012, as the global economic situation is expected to continue to be very tough, the economy recovery is still difficult. Although the costs of labor and resources in China have been increasing for recent years, it maintains its advantages in the international competition since there has been an established and complete industry system and advanced technologies in the textile industry in China.

Looking ahead, the Group is cautiously optimistic about the industry prospect. As a result of the global financial crisis in 2008, the textile and garment manufacturers in the PRC have shifted the focus from overseas to domestic market. As the economy environment in China is continuously improved, its consumer market will become more and more important, generating a large number of business opportunities for textile and garment manufacturers.

The Group will strive to improve its competitive edges to be well positioned to take use of market opportunities. To this end, the Group will: continue to increase R&D investment to attract talented people to join the Group in order to enhance product innovation capability; aggressively expand domestic market to mitigate the impact of exchange rate fluctuations and to reduce the uncertainties in export sales arising from changes in trading policies; continue to optimise production process and improve production capacity to integrate operation advantages; and strengthen internal management to achieve desired cost control. The Group will advance progressively and become one of the leading manufacturers in the PRC who provides functional fabrics and innerwear for major apparel brands worldwide.

Lastly, I, on behalf of the Group, would like to thank the management team and all staff for their untiring efforts in the past year, which has enabled GCI to step into a new development stage, and would also like to extend my sincere gratitude to the shareholders and partners for their strong supports to the Group. We will continue to make the best efforts to provide customers with higher-quality products and maximise the returns for shareholders.

Wong Kin Ling
Chairman

Hong Kong, 27 March 2012

Management Discussion and Analysis

Business environment

The global market conditions in 2011 were challenging. In the United States, the economy was under financial concerns with sluggish recovery. On the other side of the globe, the sovereign debt crisis was most widespread in the euro zone countries whereas in China, the business environment was plagued by on-going rising inflation rate as well as tightening monetary policies.

In 2011, there was an increase in the Group's principal raw materials prices particularly for synthetic yarns and dyes and these were correlated to the commodity prices of crude oil. Through a successful shift from production and sale of general fabrics and innerwear to functional fabrics and innerwear, the Group was able to uplift the selling prices in general and, hence a sustainable growth on the Group's revenue was recorded for the Financial Year. Besides, the Group reckoned the ongoing sales growth relies on customer relationship management with the existing customers and prospective customers. The Group has successfully entered into strategic cooperation agreement and/or exclusive sales agreements with some of fabrics customers aiming at providing high standard and quality products to maintain a long term relationship.

In anticipating for the growing demand of the Group's products, the Group continued to upgrade its production facilities in 2011 through investments in environmental friendly and technically advanced machinery. As a result, it led to a greater economy of scale for the Group's operation and enabled the Group to achieve a high level of production efficiency and competitiveness.

Financial review

Revenue

The following table sets forth a breakdown of the Group's revenue by knitted fabrics and innerwear products and as a percentage of the Group's total revenue for the year ended 31 December 2011, with corresponding comparative figures for 2010:

	Year ended 31 December			
	2011		2010	
	RMB'000		RMB'000	
Knitted fabrics				
General fabrics	**21,379**	**5.1%**	19,911	5.3%
Functional fabrics	**104,094**	**25.0%**	100,692	26.6%
Sub-total	**125,473**	**30.1%**	120,603	31.9%
Innerwear products				
General innerwear	**115,410**	**27.7%**	121,005	32.0%
Functional innerwear	**175,664**	**42.2%**	136,681	36.1%
Sub-total	**291,074**	**69.9%**	257,686	68.1%
Total	**416,547**	**100.0%**	378,289	100.0%

For the year ended 31 December 2011, the Group recorded a revenue of approximately RMB416.5 million (2010: RMB378.3 million), representing an increase of approximately RMB38.2 million, or approximately 10.1%. The sale volume of general fabrics, functional fabrics, general innerwear and functional innerwear for the year ended 31 December 2011 were approximately 336 tons, 1,284 tons, 10.0 million pieces and 9.8 million pieces respectively (2010: 401 tons, 1,317 tons, 12.7 million pieces and 7.1 million pieces respectively). The growth in revenue was mainly due to the adjustment on the Group's product development strategy by focusing on functional fabrics and innerwear.

Sales of innerwear products amounted to approximately RMB291.1 million (2010: RMB257.7 million), representing approximately 69.9% (2010: 68.1%) of the total revenue for the year ended 31 December 2011. The increase in sales of innerwear products in the amount of approximately RMB33.4 million or approximately 13.0% in 2011 was mainly due to the change in products mix by shifting the production of general innerwear to functional innerwear, which usually commanded a higher unit selling price than general innerwear.

Sales of knitted fabrics amounted to approximately RMB125.5 million (2010: RMB120.6 million), representing approximately 30.1% (2010: 31.9%) of the total revenue for the year ended 31 December 2011. The increase in sales of fabrics in the amount of approximately RMB4.9 million or approximately 4.1% in 2011 was mainly due to the increase in average selling price of fabrics products compared to the prior year.

Cost of sales

Cost of sales increased by approximately 6.0% from approximately RMB272.6 million for the year ended 31 December 2010 to approximately RMB289.0 million for the corresponding year ended in 2011. The increase primarily reflects the cost of raw materials, direct labour costs and subcontracting charges increased during the year ended 31 December 2011 as a result of the increase in sales of functional products, which have a higher unit cost, in 2011 and also the increases in unit prices of certain raw materials, particularly for synthetic yarns and dyes which were affected directly by the commodity prices of crude oil.

Gross profit and gross profit margin

Gross profit increased by approximately RMB21.9 million, or 20.7%, from approximately RMB105.6 million for the year ended 31 December 2010 to approximately RMB127.5 million for the corresponding year ended in 2011 as a result of increase in sales in functional products in 2011. The Group's gross profit margin increased from 27.9% for the year ended 31 December 2010 to 30.6% for the corresponding year ended in 2011, primarily as a result by focusing on the functional products.

Management Discussion and Analysis

The following table sets forth the Group's gross profit and gross profit margins by products for the year ended 31 December 2011, with corresponding comparative figures in 2010:

	Year ended 31 December			
	2011	**2011**	2010	2010
	Gross profit	**Gross profit margins**	Gross profit	Gross profit margins
	RMB'000	**%**	RMB'000	%
Knitted fabrics				
General fabrics	**3,828**	**17.9**	2,904	14.6
Functional fabrics	**29,854**	**28.7**	27,329	27.1
Sub-total	**33,682**		30,233	
Innerwear products				
General innerwear	**24,459**	**21.2**	24,043	19.9
Functional innerwear	**69,365**	**39.5**	51,369	37.6
Sub-total	**93,824**		75,412	
Total	**127,506**	**30.6**	105,645	27.9

Other income and gains

Other income and other gains amounted to approximately RMB0.6 million (2010: RMB3.9 million) for the year ended 31 December 2011, which were mainly interest income. The amount for last year primarily included a gain on disposal of an investment property and prepaid lease payments of RMB3.3 million.

Selling and distribution expenses

Selling and distribution expenses decreased by 9.4% to approximately RMB9.4 million (2010: RMB10.4 million) for the year ended 31 December 2011, primarily reflecting a decrease in transportation costs incurred for local and overseas delivery to customers. Through the efforts in negotiating with its customers, the Group has been able to shift the transportation costs to some customers.

Share-based payment

For the year ended 31 December 2011, an one-off share-based payment of RMB5.8 million in relation to the pre-listing share compensation to management was incurred.

Administrative expenses

Administrative expenses increased significantly to approximately RMB57.9 million (2010: RMB28.0 million) for the year ended 31 December 2011 primarily reflecting additional legal and professional fees incurred for the Listing, increases in total staff benefits (including salaries, social welfare and other staff costs) paid to the Directors and administrative staff due to business expansion.

Finance costs

Finance costs increased to approximately RMB5.9 million (2010: RMB4.8 million) for the year ended 31 December 2011 primarily due to a higher effective interest rate with a range of 6.6% to 9.3% for 2011 (2010: 5.1% to 7.8%) was charged on the bank borrowings.

Profit before tax

The Group's profit before tax decreased to approximately RMB49.0 million (2010: RMB66.4 million) for the year ended 31 December 2011 primarily due to the one-off administrative expenses in relation to the Listing and share-based payment incurred during the Company's Listing exercise in 2011.

Income tax expense

Income tax expense increased to approximately RMB19.9 million (2010: RMB12.9 million). The Group's effective tax rate for the year ended 31 December 2011 was 40.5%, as compared to 19.5% for the corresponding year in 2010, primarily due to (i) the expiration of 50% tax reduction for the Group's PRC operating subsidiaries which were then subject to the standard Enterprise Income Tax (the "**EIT**") rate of 25% and (ii) the non-deductible expenses mainly consisted of the professional fees for the Listing and the share-based payment.

Profit for the year and profit margin

The Group's profit for the year decreased by approximately RMB24.3 million, or 45.4%, from approximately RMB53.5 million for the year ended 31 December 2010 to approximately RMB29.2 million for the corresponding year ended in 2011. Profit margin was approximately 7.0% for the year ended 31 December 2011 (2010: 14.1%) and the decrease was mainly due to the increase of certain one-off administrative expenses in relation to the Listing and share-based payment as mentioned above.

Inventories

The inventory balances increased to approximately RMB62.4 million as at 31 December 2011 (2010: RMB51.4 million) reflecting an increase in raw materials and finished goods in anticipation of increased sales orders and delivery in 2012 and as a method to control the cost of sales due to the expectation on the continuous increase in price of raw materials.

The average inventory turnover days increased to approximately 72 days (2010: 51 days) for the year ended 31 December 2011.

Trade receivables

Trade receivables dropped to approximately RMB35.1 million (2010: RMB54.9 million) as at 31 December 2011. The trade receivables in 2010 were relatively higher as the Group had a mass delivery to customers in December 2010. Delivery to the customers in 2011 was better managed and thus, trade receivables decreased.

The average trade receivables turnover days increased moderately to approximately 39 days (2010: 33 days) for the year ended 31 December 2011 as the Group has granted credit period to the newly developed customers.

Trade and bills payables

Trade and bills payables decreased to approximately RMB43.9 million (2010: RMB55.0 million) as at 31 December 2011. The Group paid 20% to 30% deposit to the cotton yarns and synthetic yarns suppliers in advance to lock up the raw material costs, and as such, the amount of relevant trade and bills payables decreased.

The average turnover days for trade payables decreased to approximately 62 days (2010: 71 days) for the year ended 31 December 2011 which were in line with the trade credit periods granted by the suppliers of the Group.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sale of its products and bank borrowings. As at 31 December 2011, the Group's current ratio (current assets divided by current liabilities) was 1.43 (2010: 1.02). As at 31 December 2011, the Group had cash and cash equivalents of approximately RMB63.7 million (2010: RMB9.5 million), mainly generated from the proceeds of Listing and short-term bank loans of RMB62.7 million (2010: RMB67.8 million). As at 31 December 2011, the Group's gearing ratio (calculated as the total debts as at year end divided by total assets for the year x 100% while debts are defined to include current and non-current interest-bearing borrowings) was 20.5%, as compared to 31.4% as at 31 December 2010.

As at 31 December 2011, the Group had no fixed rate bank loan (2010: RMB43.4 million) but variable rate bank loans of approximately RMB68.7 million (2010: RMB42.4 million). The effective interest rates on the Group's variable-rate bank borrowings ranged from 6.56% to 9.31% per annum as at 31 December 2011 (2010: fixed-rate: 5.1% to 6.1% per annum and variable-rate: 5.3% to 7.8% per annum, respectively). During the year under review, there was no material change to the Group's funding and treasury policy.

The majority of the Group's funds have been deposited in banks in the PRC and licensed banks in Hong Kong. The management believes that the Group possesses sufficient cash and cash equivalents to meet its commitments and working capital requirements in the next financial year.

The Group continues to implement prudent financial management policies and monitor its capital structure based on the ratio of total liabilities to total assets.

Interest rate and foreign currency exposure

The Group's fair value interest rate risk relates primarily to its fixed rate interest-bearing borrowings and also exposed to cash flow interest rate risk in relation to variable rate interest-bearing borrowings. The restricted bank deposits and bank balances also expose the Group to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The Group has not used any financial instruments to hedge potential fluctuations in interest rates. The management considers that the exposure of the restricted bank deposits and bank balances to cash flow interest rate risk is not significant as the Group does not anticipate significant fluctuation in the interest rate on bank deposits. To mitigate the impact of interest rate fluctuations, the Group manages the interest expenses by financing with both fixed and variable rate debts, and will continually assess and monitor the Group's exposure to interest rate risk and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is exposed to foreign currency risk. A significant proportion of the Group's revenue was denominated in USD and certain trade and other receivables, cash and bank balances, trade and other payables and interest-bearing borrowings are denominated in USD, Japanese yen and HKD respectively, while substantial operating expenses are denominated in RMB, and the Group's reporting currency is RMB.

The Group does not have a foreign currency hedging policy. In the event of currency fluctuations, the Group may have to increase its product pricing to compensate for the increase in cost of production. This would lower the Group's market competitiveness, on a price basis, for its products and could result in a decrease in revenue. In the future, the management will monitor foreign exchange exposure and will consider hedging or factoring significant foreign currency exposure should the need arise.

Contingent liabilities

As at 31 December 2011, the Group had no material contingent liabilities.

Charges on Group assets

As at 31 December 2011, the Group's bills payables and bank loans were secured by the Group's machinery, buildings and prepaid lease payments of carrying amounts of RMB12.4 million, RMB35.7 million and RMB13.3 million, respectively (2010: RMB14.3 million, RMB37.9 million and RMB13.6 million, respectively). Certain trade receivables of the Group with carrying amount of RMB21.5 million as at 31 December 2011 (2010: RMB6.8 million) are pledged against short-term bank loans of the Group. As at 31 December 2011, the Group also pledged its bank deposits of RMB8.7 million (2010: RMB9.6 million) to secure short-term bank loans and short-term bills payables.

Valuation of properties

For the purpose of Listing of the Company's shares on the main board of the Stock Exchange in November 2011, a valuation was conducted on the property interest held by the Group. However, those property interests were still carried at historical costs less accumulated depreciation and impairment, if any, on the Group's financial statements.

By reference to the property valuation set out in Appendix III to the prospectus (the "**Prospectus**") of the Company dated 14 November 2011, a revaluation surplus of approximately RMB44.0 million was arisen in respect of the property interests of the Group as at 30 June 2011. Were the property stated at that valuation the depreciation charge per year would have increased by approximately RMB1.8 million.

Management Discussion and Analysis

Human resources

As at 31 December 2011, the Group employed approximately 1,314 employees. Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group conducts periodic reviews of the performance of its employees and their salaries and bonuses are performance related. The Group has neither experienced any significant problems with its employees or disruptions to its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced employees. The Group maintains good relationships with its employees.

Final dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

Material acquisitions and disposals

Save as disclosed in the Prospectus, the Group did not engage in any material acquisitions or disposals during the year ended 31 December 2011.

Prospect

Looking ahead, the current market conditions and the global economy are expected to persist in the near term. With the implementation of the "12th Five-Year Plan" in the PRC where measures in increasing fiscal spending and to ease of credit policy have been envisaged to be implemented with a view to promoting domestic demand, a stable growth in the innerwear and fabric market is thus anticipated.

The Group believes opportunities provided in the domestic market and industries driven by continuing rising domestic consumption. Overall market demand in the PRC will continue to grow on the back of increasing income level, accelerated urbanisation and higher living standards. The Group will continue to expand production capacity to increase market share, enhance product quality and optimise product mix by continuing to invest in research and development, and enhance customer relationship by better fulfilling customers' needs.

The Group plans to expand its production capacities and upgrade its production facilities in order to enhance its strength in developing and manufacturing functional fabrics, which offer higher profit margin. It is the Group's strategy to maintain its focus on the Japanese market and expand further in the PRC and overseas markets. The Group will also build up its ODM capability by strengthening its own research and development ability for developing products to be marketed under its own brand "UTEX". In this way, the Group strives to grow into one of the leading Chinese functional fabric and innerwear manufacturers for major international apparel brands.

The Group will also closely collaborate with its suppliers of fibre and yarn to keep abreast of the latest technology for development of new fabrics. The Group believes that the collaboration with the upstream material suppliers will allow the Group to have a better control over the costs of raw materials and further strengthening its product development capability. The Group also recognises the importance of product development for sustainable growth. Thus, the Group will without reservation to strengthen its in-house product development capability through investments in acquiring new equipment, recruiting high caliber personnel and continuing training to its technicians.

Biographies of Directors and Senior Management

Executive Directors

Mr. WONG Kin Ling（王建陵） aged 58, is the Chairman and co-founder of the Group. Mr. Wong is primarily responsible for the overall corporate strategies, planning, management and business development of the Group.

Mr. Wong was initially appointed as a Director of the Company in December 2010 and was subsequently designated as an executive Director in August 2011. Mr. Wong has been the chairman of Zhucheng Eternal Knitting Company Limited, Zhucheng Yumin Knitting Company Limited and Shandong Grand Concord Garment Company Limited, all of which are the subsidiaries of the Company, since their respective establishments. He is the spouse of the executive Director, Madam Hung Kin.

Mr. Wong is a committee member of the 11th Session of Chinese People's Political Consultative Conference in Weifang, Shandong（中國人民政治協商會議山東省濰坊市第十一屆委員會委員）. Mr. Wong was awarded as one of the "Ten Best Committee Members" by the Committee of the Communist Party of China in Zhucheng, Shandong（中共諸城市委）in 2009, and is also an Honorary Citizen of Zhucheng, Shandong, PRC（諸城榮譽市民）. He was appointed the vice president and the standing member of the Knitwear Exporting Enterprises Branch of the Shandong International Trade Federation（山東省國際貿易聯合會針織品出口企業分會）in 2008. He was honoured as an Excellent Textile Entrepreneur of Shandong Province under the 11th Five-Year Plan（「十一五」山東紡織優秀創業企業家）and a Model Worker of Zhucheng City（諸城市勞動模範）in 2011.

Madam HUNG Kin（洪建）, aged 58, is the executive Director and co-founder of the Group. Madam Hung is primarily responsible for the daily management and operations of the Group, including financial management and accounting matters.

Madam Hung obtained certificates in statistics（統計專業單科合格證書）between 1985 to 1988 by attending Jiangsu Provincial Self-Learning Higher Education Examinations（江蘇省高等教育自學考試）organised by Jiangsu Provincial Education Examination Authority（江蘇省教育考試院）.

Madam Hung has been the director of Zhucheng Eternal Knitting Company Limited, Zhucheng Yumin Knitting Company Limited and Shandong Grand Concord Garment Company Limited, all of which are the subsidiaries of the Company, since their respective establishments.

Madam Hung was initially appointed as a Director of the Company in December 2010 and was subsequently designated as executive Director in August 2011. She is the spouse of the chairman and executive Director, Mr. Wong Kin Ling.

Mr. WANG Shao Hua（王韶華）, aged 44, is an executive Director of the Company. Mr. Wang has over 20 years of experience in the knitting industry. He has been the general manager of Zhucheng Eternal Knitting Company Limited since May 2004 and was also appointed as its director in December 2009.

Mr. Wang graduated from Shandong Textile Industry School（山東省紡織工業學校）and obtained his junior college degree in textile（針織專業大學專科）in July 1987. He completed the part-time course in Shandong Provincial Party School of the Communist Party of China（中共山東省委黨校）during September 1993 to June 1996 in economic management and obtained his certificate.

He is also a director of Zhucheng Yumin Knitting Company Limited since November 2004 and a director of Shandong Grand Concord Garment Company Limited since its establishment.

Mr. Wang was initially appointed as a Director of the Company in August 2011 and was subsequently designated as an executive Director in August 2011.

Mr. WEI Jin Long (衛金龍), aged 40, is an executive Director of the Company. Prior to his joining the Group, he was a deputy general manager of a company in the PRC principally engaged in trading of fabrics and garment from January 2007 to March 2009. Mr. Wei also has over eight years of experience in the knitting and dyeing industry, and has engaged in the production, management and sales process of such industry. Mr. Wei obtained his certificate in business administration from Xi'an University of Science and Technology (西安電子科技大學) in 2011 through distance learning.

Mr. Wei was initially appointed as a Director of the Company in August 2011 and was subsequently designated as an executive Director in August 2011.

In addition to his directorship with the Company, he has also been the general manager of Zhucheng Yumin Knitting Company Limited since April 2009.

Independent non-executive Directors

Mr. WANG Jin Tang (王金堂), aged 53, is currently the vice president of the People's Political Consultative Conference (政治協商會議) of Zhucheng City. Mr. Wang Jin Tang has over 20 years of experience in accounting and finance. He obtained bachelor's degree in economic management from the Shandong Provincial School of the Chinese Communist Party (中共山東省委黨校) in 1998 and has thereafter obtained the qualification as a senior accountant in 2002. In May 2001 he was appointed as the president in the Finance Bureau of Zhucheng City (諸城市財政局).

Mr. Wang was appointed as an independent non-executive Director of the Company in August 2011.

Ms. TAY Sheve Li (鄭雪莉), aged 39, has over 13 years of experience in accounting and auditing. She worked at Ernst & Young as a senior manager in audit assurance from November 1997 to September 2007 and as a senior manager in finance from October 2007 to September 2010. She was the president of finance and capital management department in Centron Telecom International Holding Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1155), from October 2010 to June 2011. With effect from 26 November 2011, she has been appointed as an independent non-executive director of China Outdoor Media Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 254).

Ms. Tay has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants and the fellow of Association of Chartered Certified Accountants since 2002. She graduated from the University of Strathclyde, United Kingdom, in 1994 with a bachelor's degree in arts. In 2004, she obtained a master's degree in applied finance from University of Western Sydney.

Ms. Tay was appointed as an independent non-executive Director of the Company in August 2011.

Dr. CHAN Ah Pun (陳亞彬), aged 36, was a visiting lecturer of apparel technology at the Hong Kong Polytechnic University from 2009 to 2011. He obtained a Ph.D. in 2005, with research areas in garment fitting and pattern fitting, and a first class honours bachelor's degree in clothing studies in 2000, both from the Hong Kong Polytechnic University. Dr. Chan was also a co-author for a number of academic journals in the area of clothing science and technology.

He has been the executive director of Miracle International Corporation Limited since 2009. From 2006 to 2009, Dr. Chan was the operations manager of ACE Style Intimate Apparel Limited, a company engaging in the business of underwear manufacturing, where Dr. Chan was responsible for its budget, production planning, process and quality control, as well as its production and quality assurance management. From 2005 to 2006, he was the production manager of Tavistock Springs (HK) Limited, where he was responsible for production management and monitoring the business of bra pad molding.

Dr. Chan was appointed as an independent non-executive Director of the Company in August 2011.

Senior management

Mr. LEE Yin Sing（李彥昇）, aged 31, is the Chief Financial Officer and Company Secretary. Mr. Lee is responsible for overseeing the Group's financial planning and management. Mr. Lee has over eight years of experience in finance control and accounting through his prior employments. He acquired auditing experience through his prior employment with an audit firm of international repute from 2002 to 2007. Prior to joining the Group as its chief financial officer in August 2010, he worked as the financial manager of Proview International Holdings Limited, a company listed on the Stock Exchange (stock code: 334), in 2009 during which he acquired experience in finance control, accounting and company secretarial matters. Mr. Lee graduated from the City University of Hong Kong in 2002 with a bachelor's degree in accounting. He has been a member of the Hong Kong Institute of Certified Public Accountants since 2008.

Mr. LIU Xin De（劉心德）, aged 45, is a director of Zhucheng Eternal Knitting Company Limited and Zhucheng Yumin Knitting Company Limited. Mr. Liu is responsible for product management and equipment administration of Zhucheng Yumin Knitting Company Limited. He joined Zhucheng Eternal Knitting Company Limited in March 2001 as merchandiser and was promoted as an office manager in June 2003. Mr. Liu obtained his bachelor's degree in national economic management from Shandong University（山東大學）in July 1989.

Ms. JI Tai Mei（季太梅）, aged 42, is the deputy general manager in charge of product management of Zhucheng Eternal Knitting Company Limited. Prior to her appointment as the deputy general manager in April 2010, she served as the head of product planning department and concurrently as the assistant of general manager of Zhucheng Eternal Knitting Company Limited from June 2004 until April 2010. Prior to joining the Group, she worked for Shandong Lanfeng Knitting Group Co. Ltd.（山東蘭鳳針織集團）from September 1989 to May 2004 and assumed the position of manager of the garment workshop from July 1999. Ms. Ji obtained her junior college degree in accounting from Shandong TV University（山東廣播電視大學）in July 1994.

Ms. ZHOU Li（周麗）, aged 39, is the deputy general manager of Zhucheng Eternal Knitting Company Limited. Prior to her appointment as the deputy general manager in April 2010, she served as the sales manager of Zhucheng Eternal Knitting Company Limited since December 2005 and was also appointed as assistant of general manager of Zhucheng Eternal Knitting Company Limited on 15 August 2007. Before her engagement with the Group, she worked for Shandong Lanfeng Knitting Group Co. Ltd.（山東蘭鳳針織集團）from August 1992 to October 2005 and was the deputy general manager of import and export department before she left the same. Ms. Zhou graduated from Shandong Textile Industry School（山東省紡織工業學校）and obtained her degree of secondary vocational school diploma in textile in July 1992. She also obtained junior college degree in economic management（經濟管理大學專科）after completing the 3-year distance learning course from Shandong Cadres Correspondence College（山東省幹部函授大學）in June 1996.

Corporate Governance Report

Corporate governance practices

The Board is pleased to present this report in the Group's annual report for the year ended 31 December 2011.

The Company values its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of its shareholders. The Company has adopted the Code on Corporate Governance Practices (the "**Corporate Governance Code**") as set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintain and improve high standards of corporate governance practices. Since the Listing and up to the date of this report, the Company has complied with the code provisions (the "**Code Provisions**") of the Corporate Governance Code, except for the deviation set out as below:

Code Provision A2.1

The Code Provision A2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

At present, the Company does not have any officer with the title of chief executive officer. The duties of a chief executive officer are undertaken by Mr. Wong Kin Ling, chairman of the Board. Although this deviates from the requirement under the Code Provision A2.1, where the two positions should be held by two different individuals, as Mr. Wong Kin Ling has considerable and extensive knowledge and experience in the industry and in enterprise operation and management in general, the Board believes that it is in the best interest of the Company and its shareholders as a whole to continue to have Mr. Wong Kin Ling as the chairman so the Board can benefit from his knowledge of the business and his capability in leading the Board in the long term development of the Group. From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the chairman should not be able to monopolise the voting result. The Board considers that the balance of power between the Board and the senior management can still be maintained under the current structure. The Board shall review the structure from time to time to ensure appropriate action is taken should the need arise.

Board

Responsibilities

The Board is responsible for leading and controlling the Company and overseeing the Group's businesses, strategic decisions and financial performances. The management is delegated the authority and responsibility by the Board for the management of the Group under the leadership of the chairman of the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively the "**Committees**"), which assist the Board in discharging its duties and overseeing particular aspects of the Group's activities.

The day-to-day management, administration and operation of the Company are delegated to the chairman of the Board and the senior management, with division heads responsible for different aspects of the business.

Major corporate matters that are specifically delegated by the Board to the senior management include preparation of interim and annual reports and announcements, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures and compliance with relevant laws, rules and regulations.

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises four executive Directors, namely Mr. Wong Kin Ling, Madam Hung Kin, Mr. Wang Shao Hua and Mr. Wei Jin Long and three independent non-executive Directors, namely Mr. Wang Jin Tang, Ms. Tay Sheve Li and Dr. Chan Ah Pun. The biographies of the Directors are set out under the section headed "Biographies of Directors and Senior Management" of this annual report.

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Committees, all independent non-executive Directors make various contributions to the effective direction of the Company.

Save as disclosed, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure that strong independence exists across the Board.

Since the date of the Listing, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received annual confirmation of independence from the three independent non-executive Directors. The Board has assessed their independence and is satisfied that all the independent non-executive Directors are in full compliance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

The term of office for the independent non-executive Directors is subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the Company's articles of association. At every annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the Corporate Governance Code.

Training for Directors

Every newly appointed Director shall receive an information package from the Company upon his or her appointment. This information package is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by the Director. In addition, the package includes materials on the operations and business of the Group. The Company will subsequently arrange for briefing as is necessary to ensure that the newly appointed Directors have a proper understanding of the business and operations of the Group and that they are aware of their responsibilities under the relevant laws, rules and regulations.

Board meetings

Board meetings are held regularly, at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The attendance record of the Directors at the Board meetings for the year 2011 and up to the date of this report is set out below:

	Attended/ Eligible to attend
Executive Directors	
Mr. Wong Kin Ling (appointed on 8 December 2010 and designated as the chairman on 19 August 2011)	7/7
Madam Hung Kin (appointed on 8 December 2010)	7/7
Mr. Wang Shao Hua (appointed on 15 August 2011)	2/2
Mr. Wei Jin Long (appointed on 15 August 2011)	2/2
Independent non-executive Directors	
Mr. Wang Jin Tang (appointed on 15 August 2011)	2/2
Ms. Tay Sheve Li (appointed on 15 August 2011)	2/2
Dr. Chan Ah Pun (appointed on 15 August 2011)	2/2

All Directors have access to the advice and services of the Company Secretary. All Directors have access to the senior management for enquiries and information when required. The Directors, upon reasonable requests, may also seek independent professional advice at the Company's expenses.

Practices and conduct of meetings

Draft agenda of all Board meetings are made available to the Directors in advance.

Where practicable, notices of regular Board meetings and Committee meetings are served on all Directors at least 14 days before the meetings. Board papers are sent to all Directors at least 3 days before each Board meeting or Committee meeting to keep the Directors apprised of the latest developments and the financial position of the Company and to enable them to make informed decisions.

The Company Secretary is responsible for keeping minutes of all Board meetings and Committee meetings. Draft minutes are normally circulated to the Directors for comments within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction involving conflict of interests of a substantial shareholder or a Director will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association also contain a provision requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates (as defined under the Listing Rules) have a material interest.

Board committees

The Board established the Audit Committee and Remuneration Committee on 19 August 2011 and the Nomination Committee on 27 March 2012 with clearly-defined written terms of reference. The main roles and responsibilities of the Committees, including all authorities delegated to them by the Board, are set out in the respective terms of reference. The independent views and recommendations of the Committees ensure proper control of the Group and the continual achievement of high corporate governance standards expected of a listed company. The chairman of each Committee reports the outcome of the Committee's meetings to the Board for further discussions and approvals.

The majority of the members of each Committee are independent non-executive Directors. The Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice at the Company's expenses.

Audit Committee

The Audit Committee comprises three independent non-executive Directors, Mr. Wang Jin Tang, Ms. Tay Sheve Li and Dr. Chan Ah Pun. The Audit Committee is chaired by Ms. Tay Sheve Li, who possesses the appropriate professional qualifications and extensive experience in, and knowledge of, finance and accounting as required under Rule 3.10 of the Listing Rules. All Audit Committee members hold the relevant industry and financial experience necessary to advise the Board on strategies and other related matters. None of the Audit Committee members is a former partner of the Company's existing external auditors.

The Audit Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of those auditors; monitoring the integrity of the financial statements, the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and reviewing the financial controls, internal control and risk management systems.

The Group's audited annual financial statements and annual report for 2011 had been reviewed by the Audit Committee, which was of the opinion that the preparation of such statements and report complied with the applicable accounting standards and requirements and that adequate disclosure had been made.

The Audit Committee has not taken any different view from the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

At its meeting held on 26 March 2012, the Audit Committee concluded that it was satisfied with its review of the audit fee, process and effectiveness, independence and objectivity of SHINEWING (HK) CPA Limited. The Audit Committee has therefore made the recommendation to the Board that SHINEWING (HK) CPA Limited be reappointed as the Group's external auditors at the forthcoming annual general meeting.

The Audit Committee met once during the year ended 31 December 2011 and up to the date of this report, during which the Audit Committee members reviewed the Company's internal controls and risk management process, financial reporting and compliance procedures, financial results and reports and assessed the external auditors for re-appointment. The Audit Committee meeting was attended by the Audit Committee members, the chief financial officer and the external auditors. The attendance record of the Audit Committee is set out below:

Directors	**Attended/ Eligible to attend**
Ms. Tay Sheve Li *(chairman of the Audit Committee)*	1/1
Mr. Wang Jin Tang	1/1
Dr. Chan Ah Pun	1/1

Remuneration Committee

The Remuneration Committee comprises three independent non-executive Directors, Mr. Wang Jin Tang, Ms. Tay Sheve Li and Dr. Chan Ah Pun and one executive Director, Mr. Wong Kin Ling. The Remuneration Committee is chaired by Mr. Wang Jin Tang. The Remuneration Committee is responsible for, among other functions, making recommendations to the Board on the policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; determining the specific remuneration packages of all the executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of the non-executive Directors; and reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee met once during the year ended 31 December 2011 and up to the date of this report, during which the Remuneration Committee members reviewed the existing remuneration policy and structure of the Company and the remuneration packages and discretionary bonus of the Directors and senior management for 2012 and made recommendation to the Board to approve the proposals on the fees of the non-executive Directors. The attendance record of the Remuneration Committee is set out below:

Directors	**Attended/ Eligible to attend**
Mr. Wang Jin Tang *(chairman of the Remuneration Committee)*	1/1
Mr. Wong Kin Ling	1/1
Ms. Tay Sheve Li	1/1
Dr. Chan Ah Pun	1/1

Nomination Committee

The Nomination Committee comprises two independent non-executive Directors, Ms. Tay Sheve Li and Dr. Chan Ah Pun and one executive Director, Mr. Wong Kin Ling. The Nomination Committee is responsible for formulating the nomination policy for consideration of the Board and implementing the nomination policy laid down by the Board; reviewing the structure, size and composition of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying and nominating individuals suitably qualified to become the members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive directors; making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and conforming to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the memorandum and articles of association of the Company or imposed by legislation.

During the year ended 31 December 2011 and up to the date of this report, no meeting had been held by the Nomination Committee.

Model code for directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company confirms that, having made specific enquiry of all the Directors, the Directors have complied with the required standards as set out in the Model Code since the date of Listing and up to the date of this report.

Responsibilities in respect of financial statements

The senior management has provided relevant explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval of the financial statements for the year 2011.

The Board is responsible for presenting a clear and balanced view of the Company's annual and interim reports, price-sensitive announcements, disclosures required under the Listing Rules, and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements for the year 2011.

Auditors' remuneration

During the year under review, the remuneration paid/payable to the external auditors of the Company in respect of statutory audit service, service rendered for the Listing and tax service were RMB0.6 million, RMB2.2 million and RMB0.1 million, respectively.

Internal control

The Board is responsible for internal control of the Group and for reviewing its effectiveness. The Board requires the senior management to establish and maintain sound and effective internal controls.

The internal control framework includes central direction, resources allocation and risk management of the activities of various business units, supported by the human resources, information systems and financial practice. As such, the Group has a clear organisational structure including appropriate segregation of duties and reporting systems. Limits of authorities have been established. Starting from the top, there is a list of matters reserved for Board approval. In carrying out key functions, senior management personnel are assigned levels of authority and accountability commensurate with their positions and duties. There are also relevant policies and procedures applicable to all business units to guide their business operations. All business units are required to produce annual budgets for the senior management's approval. The heads of all business units are required to assess the risk factors attributed to their businesses. In addition, all business units shall submit monthly management reports with comparisons between actual and budget results and give explanations and solutions for major variances.

Extensive financial controls, procedures, self-assessment exercises and risk activities are reviewed by the Group's finance department, which is responsible for reviewing the Group's internal control systems, operational efficiency and compliance with the policies and procedures on a regular basis, and ensuring existence of an effective internal control system in all business units. The finance department performs independent reviews of risks associated with and controls over principal operations and critical applications, and reports to the Audit Committee with its findings and makes recommendations to improve the internal controls of the Group.

All key controls within the framework will be tested periodically by the finance department. External auditors will also test key controls for those processes which are most critical to producing complete and accurate financial reports. Semi-annual confirmations from chief executives of principal subsidiaries are obtained as to whether the internal controls are working properly and if any remedial actions are required on areas where control weaknesses are noted. External auditors also advise the senior management on whether the controls are in place and effective to ensure a proper financial controlling and reporting process of the Group.

With respect to the procedures and internal controls for the handling and dissemination of price-sensitive information, the Group conducts its affairs with close attention to the "Guide on Disclosure of Price-Sensitive Information" issued by the Stock Exchange, and has also implemented guidelines and procedures for dealings in its securities by the Directors.

During the year 2011, the Board, through the Audit Committee, had conducted review on the effectiveness of the internal control system of the Company, and considered the internal control system to be effective and adequate and concluded that there were no significant areas of concern which might affect shareholders' interests.

Communication with shareholders

The Group reports to its shareholders twice a year. Interim and annual results are announced as early as possible to keep shareholders informed of the Group's performance. The general meetings of the Company provide a forum for communication between the shareholders and the Board. All shareholders are encouraged to attend the annual general meeting to discuss the progress of the Group's business. The chairman of the Board and the chairmen of the Audit Committee and the Remuneration Committee, or in their absence, other members of the respective Committees, and where applicable, the independent Board committee, are available to answer questions at the general meetings. Separate resolutions are proposed at the general meetings on each substantial issue, including re-election of Directors. The Company's website, which contains corporate information, interim and annual reports, announcements and circulars issued by the Company as well as the recent developments of the Group, enables the shareholders to access information on the Group on a timely basis.

Report of the Directors

The Directors are pleased to present the first annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2011.

Corporate information and group reorganisation

The Company was incorporated in the British Virgin Islands with limited liability under the Business Companies Act of the British Virgin Islands (2004) on 8 December 2010.

Pursuant to a group reorganisation (the "**Reorganisation**") which rationalised the group structure in preparation for the Listing, the Company became the holding company of the Group on 22 February 2011.

Details of the Reorganisation are set out in note 1 to the consolidated financial statements.

Principal activities

The principal activities of the Group are engaged in the manufacturing of knitted fabrics and innerwear. Details of the principal activities of the Company's principal subsidiaries are set out in note 37 to the consolidated financial statements.

Results and dividends

The Group's profit for the year ended 31 December 2011 and its state of affairs as at that date are set out in the consolidated financial statements on pages 35 to 95.

No interim dividend was paid during the year. The Directors did not recommend payment of a final dividend for the year ended 31 December 2011.

Use of proceeds from listing

The Company's shares have been listed on the Stock Exchange since 24 November 2011 (the "**Date of the Listing**") The net proceeds from the Listing after deducting the relevant expenses were amounted to approximately HK$38.4 million. The Company currently does not have any intention to change its plan for use of proceeds as stated in the Prospectus. From the date of the Listing up to the date of this report, out of the total net proceeds from the Listing, approximately HK$6.1 million was utilised for upgrading and expanding the Group's manufacturing equipment and production plants to enhance its production efficiency and approximately HK$1.0 million was utilised for developing high-margin and innovative products. The remaining proceeds of approximately HK$31.3 million was deposited in interest-bearing accounts of financial institutions in the PRC and Hong Kong.

Financial summary

A summary of the published results and assets and liabilities of the Group for the last four financial years is set out on page 96 of this annual report. This summary does not form part of the audited consolidated financial statements.

Property, plant and equipment

Details of the movements in the property, plant and equipment of the Group during the Financial Year are set out in note 17 to the consolidated financial statements.

Share capital and share option scheme

Details of the movements in the Company's share capital during the Financial Year are set out in note 29 to the consolidated financial statements.

Prior to the Listing, the Company had conditionally adopted a share option scheme (the "**Share Option Scheme**") on 19 August 2011 which became unconditional and effective upon the Listing. The purpose of the Share Option Scheme is to enable the Group to grant options to the Eligible Participants (as defined in the section headed "Share Option Scheme" in the Prospectus) as incentives or rewards for their contributions to the Group.

The Board may, at its absolute discretion, offer an option to the Eligible Participant to subscribe for the shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme. The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 38,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue at the time dealings in the shares first commenced on the Stock Exchange.

The total number of shares of the Company issued and to be issued upon exercise of the options granted to or to be granted to each Eligible Participant under the Share Option Scheme and any other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue. The Share Option Scheme will remain in force for a period of 10 years. Under the Share Option Scheme, each option has a 10-year exercise period. As at the date of this annual report, no option has been granted under the Share Option Scheme.

Reserves

Details of the movements in the reserves of the Group during the Financial Year are set out in the consolidated statement of changes in equity on page 37.

Distributable reserves

As at 31 December 2011, the Company's reserves available for distribution amounted to nil (as at 31 December 2010: Nil), and nil dividend has been proposed for the year.

Directors

The Directors during the Financial Year and up to the date of this report were:

Executive Directors

Mr. Wong Kin Ling	(appointed on 8 December 2010)
Madam Hung Kin	(appointed on 8 December 2010)
Mr. Wang Shao Hua	(appointed on 15 August 2011)
Mr. Wei Jin Long	(appointed on 15 August 2011)

Independent non-executive Directors

Mr. Wang Jin Tang	(appointed on 15 August 2011)
Ms. Tay Sheve Li	(appointed on 15 August 2011)
Dr. Chan Ah Pun	(appointed on 15 August 2011)

In accordance with Article 14.2 of the Company's articles of association, all the Directors will retire and be eligible to offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each independent non-executive Director an annual confirmation of his independence from the Group, and as at the date of this report still considers them to be independent pursuant to Rule 3.13 of the Listing Rules.

Biographies of Directors and senior management

Biographical details of the Directors and the senior management of the Group are set out on pages 15 to 17 of this annual report.

Directors' service contracts

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from the date of the Listing. The independent non-executive Directors, namely Mr. Wang Jin Tang, Ms. Tay Sheve Li and Dr. Chan Ah Pun, have been appointed for a term of two years commencing from the date of the Listing.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' remuneration

The Board has the general power of determining the Directors' remuneration, subject to authorisation of the shareholders of the Company at the annual general meeting each year. The remuneration of the executive Directors is subject to review by the Remuneration Committee, and their remuneration is determined with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group. As for the independent non-executive Directors, their remuneration is determined by the Board, upon recommendation from the Remuneration Committee. Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 13 and 14, respectively, to the consolidated financial statements.

Directors' interests in contracts

No Director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Financial Year.

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 31 December 2011, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, laws of Hong Kong) (the "**SFO**"), as recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Capacity	Number of shares(1)	Approximate percentage of shareholding
Mr. Wong Kin Ling (2)	Interest of controlled corporation	241,000,000 (L)	63.42%
Madam Hung Kin (2)	Interest of controlled corporation	241,000,000 (L)	63.42%
Mr. Wei Jin Long	Beneficial owner	24,000,000 (L)	6.31%
Mr. Wang Shao Hua	Beneficial owner	15,000,000 (L)	3.95%

Notes:

(1) The letter "L" denotes the Director's long position in the shares.

(2) The issued shares of Global Wisdom Capital Holdings Limited are solely and beneficially owned by Mr. Wong Kin Ling and Madam Hung Kin, who are spouses, in equal shares. Accordingly, each of Mr. Wong Kin Ling and Madam Hung Kin is deemed under the SFO to be interested in all the shares held by Global Wisdom Capital Holdings Limited.

Directors' rights to acquire shares or debentures

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2011 and up to the date of this annual report were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Substantial shareholders' interests and short positions in shares and underlying shares

As at 31 December 2011, to the best knowledge of the Directors, the records of interest (being 5% or more of the issued share capital of the Company, other than the Directors or the chief executive of the Company) as registered in the register kept by the Company under section 336 of the SFO were as follows:

Name	Capacity	Number of shares [1]	Approximate percentage of shareholding
Global Wisdom Capital Holdings Limited[2]	Beneficial owner	241,000,000 (L)	63.42%
Mr. Ho Kin	Beneficial owner	25,000,000 (L)	6.58%

Notes:

(1) The letter "L" denotes the entity's/person's long position in the shares.

(2) The issued shares of Global Wisdom Capital Holdings Limited are solely and beneficially owned by Mr. Wong Kin Ling and Madam Hung Kin, who are spouses, in equal shares. Accordingly, each of Mr. Wong Kin Ling and Madam Hung Kin is deemed under the SFO to be interested in all the shares held by Global Wisdom Capital Holdings Limited.

Non-competition undertaking by controlling shareholders

The Company has received annual confirmations from the controlling shareholders, Mr. Wong Kin Ling, Madam Hung Kin and Global Wisdom Capital Holdings Limited, in respect of their compliance with the non-competition undertaking. The independent non-executive Directors have reviewed the said undertaking and are of the view that Mr. Wong Kin Ling, Madam Hung Kin and Global Wisdom Capital Holdings Limited have complied with the non-competition undertaking during the period from the date of the Listing up to 31 December 2011.

Purchase, sale or redemption of the Company's securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the period from the date of Listing to 31 December 2011.

Pre-emptive rights

There were no provisions of pre-emptive rights under the Company's articles of association or the laws of the British Virgin Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders unless otherwise required by the Stock Exchange.

Sufficiency of public float

Based on information that is publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

Major suppliers and customers

In the year under review, the Group's major supplier accounted for 10.3% (2010: 10.4%) of the Group's total cost of sales. The Group's five largest suppliers accounted for 42.3% (2010: 33.4%) of the Group's total cost of sales.

In the year under review, the Group's sales to its five largest customers accounted for 59.9% (2010: 59.8%) of the Group's total revenue. The Group's largest customer accounted for 36.5% (2010: 33.8%) of the Group's total revenue.

None of the Directors or any of their associates (as defined under the Listing Rules) or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or five largest suppliers.

Audit committee and review of financial statements

The Audit Committee was established on 19 August 2011 with written terms of reference in compliance with the Listing Rules. The Audit Committee is responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditor; monitoring integrity of the financial statements, the annual report and accounts, interim report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and reviewing the financial controls, internal control and risk management systems.

The Audit Committee has reviewed with the management in relation to the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters, including the review of the audited consolidated financial statements of the Company for the year ended 31 December 2011.

The consolidated financial statements for the year ended 31 December 2011 have been audited by the Company's external auditors, SHINEWING (HK) CPA Limited.

Corporate governance

The Company has published its corporate governance report, which is set out on pages 18 to 25 of this annual report.

Report of the Directors

Auditor

During the year, SHINEWING (HK) CPA Limited was appointed as the external auditors of the Company.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint SHINEWING (HK) CPA Limited as the external auditors of the Company.

On behalf of the Board

Wong Kin Ling
Chairman

Hong Kong, 27 March 2012

Independent Auditor's Report

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF GRAND CONCORD INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

We have audited the consolidated financial statements of Grand Concord International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 95, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427

Hong Kong
27 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	7	**416,547**	378,289
Cost of sales		**(289,041)**	(272,644)
Gross profit		**127,506**	105,645
Other income and gains	9	**625**	3,896
Selling and distribution expenses		**(9,413)**	(10,391)
Share-based payment	30	**(5,800)**	—
Administrative expenses		**(57,938)**	(27,984)
Finance costs	10	**(5,944)**	(4,761)
Profit before tax		**49,036**	66,405
Income tax expense	11	**(19,852)**	(12,934)
Profit for the year	12	**29,184**	53,471
Other comprehensive income for the year:			
Exchange differences arising on translation of foreign operations		**140**	195
Total comprehensive income for the year		**29,324**	53,666
		RMB cents	RMB cents
Earnings per share			
— Basic and diluted	16	**9**	18

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	17	**128,786**	113,739
Investment property	18	**—**	—
Prepaid lease payments	19	**13,019**	13,316
Deposits paid to acquire non-current assets	20	**2,190**	1,399
Prepayment	24	**150**	—
Deferred tax assets	21	**1,653**	1,318
		145,798	129,772
Current assets			
Inventories	22	**62,385**	51,400
Trade receivables	23	**35,130**	54,854
Prepayments and other receivables	24	**18,149**	17,097
Prepaid lease payments	19	**297**	297
Amount due from a related party	35	**—**	957
Restricted bank deposits	25	**8,700**	9,600
Cash and bank balances	25	**63,744**	9,454
		188,405	143,659
Current liabilities			
Trade and bills payables	26	**43,881**	55,038
Accruals and other payables	27	**17,098**	10,712
Advance from customers		**1,673**	408
Amount due to a shareholder	35	**—**	1,559
Amounts due to related parties	35	**—**	728
Interest-bearing borrowings	28	**62,654**	67,813
Income tax payable		**6,361**	4,616
		131,667	140,874
Net current assets		**56,738**	2,785
Total assets less current liabilities		**202,536**	132,557
Non-current liability			
Interest-bearing borrowings	28	**6,000**	18,000
Net assets		**196,536**	114,557
Capital and reserves			
Share capital	29	**46,938**	—
Reserves		**149,598**	114,557
Total equity		**196,536**	114,557

The consolidated financial statements on pages 35 to 95 were approved and authorised for issue by the board of directors on 27 March 2012 and are signed on its behalf by:

Wong Kin Ling	**Hung Kin**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company						
	Share capital RMB'000	**Statutory reserve** RMB'000 (Note (a))	**Exchange reserve** RMB'000	**Retained earnings** RMB'000	**Special reserve** RMB'000 (Note (b))	**Other reserve** RMB'000 (Note (c))	**Total** RMB'000
As at 1 January 2010	—	12,213	2,152	46,526	—	—	60,891
Profit for the year	—	—	—	53,471	—	—	53,471
Other comprehensive income for the year:							
Exchange differences arising on translation of foreign operations	—	—	195	—	—	—	195
Appropriations to statutory reserve	—	6,238	—	(6,238)	—	—	—
Total comprehensive income	—	6,238	195	47,233	—	—	53,666
As at 31 December 2010 and 1 January 2011	—	18,451	2,347	93,759	—	—	114,557
Profit for the year	—	—	—	29,184	—	—	29,184
Other comprehensive income for the year:							
Exchange differences arising on translation of foreign operations	—	—	140	—	—	—	140
Total comprehensive income	—	—	140	29,184	—	—	29,324
Issue of new shares upon reorganisation (note 29 (a))	83	—	—	—	(83)	—	—
Issue of new shares on 31 August 2011 (note 29 (b))	—	—	—	—	—	—	—
Initial public offering of shares, net of issuing expenses (note 29 (c))	46,855	—	—	—	—	—	46,855
Appropriations to statutory reserve	—	5,813	—	(5,813)	—	—	—
Recognition of share-based payment (note 30)	—	—	—	—	—	5,800	5,800
As at 31 December 2011	46,938	24,264	2,487	117,130	(83)	5,800	196,536

Notes:

(a) Statutory reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries. In accordance with the relevant laws and regulations of the PRC and the articles of association of the Group's PRC subsidiaries, they are required to appropriate 10% of their respective net profits determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of China, after offsetting any prior years' losses, to the statutory surplus reserve. When the balance of such a reserve reached 50% of the respective companies' registered capital, any further appropriation is optional.

(b) Special reserve

Special reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiary acquired by the company and the nominal amount of the shares issued by the Company in exchange for the entire equity interest in the subsidiary as part of the group reorganisation.

(c) Other reserve

Other reserve represents the difference between the fair value of past services rendered by the employees and the net present values of the consideration payable by the employees in respect of the share transferred. The details of transaction are more fully set out in note 30.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**49,036**	66,405
Adjustments for:		
Depreciation of property, plant and equipment	**13,453**	10,407
Depreciation of an investment property	**—**	13
Amortisation of prepaid lease payments	**297**	280
Reversal of impairment loss of inventories	**(470)**	—
Impairment loss of inventories	**426**	646
Share-based payment	**5,800**	—
Loss on disposal of property, plant and equipment	**416**	11
Finance costs	**5,944**	4,761
Interest income	**(333)**	(436)
Gain on disposal of an investment property and prepaid lease payments	**—**	(3,293)
Cash generated from operation before movements in working capital	**74,569**	78,794
Increase in inventories	**(10,941)**	(27,356)
Decrease (increase) in trade receivables	**19,724**	(41,506)
Decrease (increase) in prepayments and other receivables	**798**	(10,761)
(Decrease) increase in trade and bills payables	**(11,157)**	3,423
Increase in accruals and other payables	**6,386**	6,033
Increase (decrease) in advance from customers	**1,265**	(701)
Cash generated from operations	**80,644**	7,926
PRC income tax paid	**(18,457)**	(12,737)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	**62,187**	(4,811)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(27,209)**	(38,541)
Deposits paid to acquire non-current assets	**(2,190)**	(1,399)
Increase in advancement	**(2,000)**	—
Repayment from (advance to) a related party	**957**	(957)
Decrease in restricted bank deposits	**900**	16,322
Proceeds from disposal of property, plant and equipment	**435**	216
Interest received	**333**	436
Purchase of prepaid lease payments	**—**	(2,705)
NET CASH USED IN INVESTING ACTIVITIES	**(28,774)**	(26,628)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011	2010
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Repayment of borrowings	**(134,914)**	(141,915)
New borrowings raised	**117,755**	165,583
Interest paid	**(6,687)**	(5,203)
Repayment to related parties	**(728)**	(955)
(Repayment to) advanced from a shareholder	**(1,559)**	3,438
Payment of expenses attributable to issue of new shares	**(5,295)**	—
Proceeds from the issue of shares by placing and public offer	**52,150**	—
NET CASH FROM FINANCING ACTIVITIES	**20,722**	20,948
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**54,135**	(10,491)
CASH AND CASH EQUIVALENTS AT 1 January	**9,454**	19,761
Effect of foreign exchange rate changes	**155**	184
CASH AND CASH EQUIVALENTS AT 31 December, represented by cash and bank balances	**63,744**	9,454

1. General Information and Basis of Presentation and Consolidation

Grand Concord International Holdings Limited (the "**Company**"), which acts as an investment holding company, was incorporated in the British Virgin Islands (the "**BVI**") with limited liability under the Business Companies Act of the BVI (2004) (the "**Companies Act**") on 8 December 2010. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 24 November 2011. The address of the registered office and principal place of business of the Company is disclosed in the section headed "Corporate Information" in the Annual Report.

The principal activities of the Group are engaged in the manufacturing of knitted fabrics and innerwear. The ultimate holding company of the Company is Global Wisdom Capital Holdings Limited ("**Global Wisdom**"), a limited liability company incorporated in BVI.

Pursuant to the group reorganisation completed on 22 February 2011 (the "**Reorganisation**"), the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the prospectus (the "**Prospectus**") of the Company dated 14 November 2011.

Since all the entities which took part in the Reorganisation were under common control of controlling shareholders of the Company, the Group is regarded as a continuing entity. Accordingly, these consolidated financial statements of the Group for the years ended 31 December 2010 and 2011 have been prepared on the basis as if the Company had always been the holding company of the Group by applying the principles of merger accounting as set out in the Accounting Guideline 5 "Merger accounting for common control combinations" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), as if the Reorganisation had occurred from the date when the combining entities first came under the control of the controlling shareholders.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the two years ended 31 December 2011 and 2010 which include the results, changes in equity and cash flows of the companies now comprising the Group have been prepared as if the current group structure have been in existence throughout the two years ended 31 December 2011 and 2010, or since their respective dates of incorporation/establishment or acquisition, where it is the shorter period. The consolidated statements of financial position of the Group as at 31 December 2010 and 2011 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates. All significant intra-group transactions, balances, income and expenses are eliminated on combination.

The consolidated financial statements of the Group are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
Hong Kong Accounting Standard ("HKAS") 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK (International Financial Reporting Interpretations Committee) ("IFRIC") — Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

The amendments to HKAS 1 (as part of improvements to HKFRSs issued in 2010) clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

HKAS 24 (as revised in 2009) amends the definition of related party and clarifies its meaning. This may result in identification of related parties who were not identified as related parties under the previous standard. The Group has applied for the first time the revised definition of a related party. The revised definition did not have any material impact on the Group's related party disclosures in the current and previous years.

HKAS 24 (as revised in 2009) also introduces a partial exemption from the disclosure requirements for government-related entities. The disclosure exemption did not affect the Group because the Group is not a government-related entity.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2014.
6 Effective for annual periods beginning on or after 1 January 2015.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The directors of the Company anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRSs issued but not yet effective (continued)

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement". The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 9 Financial Instruments (continued)

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011). Key requirements of these five standards are described below:

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors of the Company anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope. HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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 to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with 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 and by the Hong Kong Companies Ordinance.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses have been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

All intra-group transactions, balances, income and expenses are eliminated.

3. Significant Accounting Policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sales of goods is recognised when the goods are delivered and title has passed.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

3. Significant Accounting Policies (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Research expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis.

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

3. Significant Accounting Policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated statements of comprehensive income in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probably that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. Significant Accounting Policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on the derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress includes property, plant and equipment in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are determined on a weighted average basis.

Cash and cash equivalents

Cash and bank balances in the consolidated statements of financial position comprise cash at banks and on hand and short-term deposits, which have original maturity of three months or less and are not restricted as to use.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and bank balances as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets comprise loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, restricted bank deposits, cash and bank balances, amounts due from a related party) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below).

Interest income is recognised by apply the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all the financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or
— breach of contract, such as default or delinquency in interest or principal payments; or
— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
— the disappearance of an active market for that financial asset because of financial difficulties.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30-60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables and amount due from a related party where the carrying amount is reduced through the use of an allowance account. When a trade receivable, other receivable or an amount due from a related party is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets carried at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct costs. The Group's financial liabilities are generally classified into other financial liabilities.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and bills payables, accruals and other payables, amount due to a shareholder/related parties and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognised a financial asset only when contractual the rights to the cash flows from the assets expire or, when it transfers the financial assets and substantially all the risks and rewards of ownership of the assets to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Significant Accounting Policies (continued)

Impairment loss on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Share-based payment

Shares transferred to employees

The fair value of services received are determined by reference to the fair value of the Company's shares received by the employees of the Company and net with the net present value of the consideration paid by the employees, and is recognised as an expense when the shares transferred immediately, with a corresponding increase in equity (other reserve).

4. Critical Accounting Judgment and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgment in applying the entity's accounting policies

Ownership of buildings

Some of the buildings of the Group were not granted formal titles from the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal titles, the directors of the Company determine to recognise these buildings on the grounds that they expect there is no major difficulties in obtaining the legal titles in future and the Group is in substance controlling the usage of these buildings.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and residual values of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment, and if the expectation differs from the original estimate, such a difference may impact the depreciation charged in the year and the estimate will be changed in the future period.

Impairment of inventories

The Group reviews an aging analysis at the end of each reporting period, and makes impairment for obsolete and slow-moving inventory items. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices. As at 31 December 2011, the carrying amount of inventories was approximately RMB62,385,000 (2010: RMB51,400,000), net of the accumulated impairment loss of inventories approximately RMB1,575,000 (2010: RMB1,619,000).

4. Critical Accounting Judgment and Key Sources of Estimation Uncertainty (continued)

Impairment of trade receivables and other receivables

The Group makes impairment based on assessment of the recoverability of trade and other receivables. The Group makes its estimates based on the aging of its trade and other receivables balances, debtors' creditworthiness, and historical write-off experience. If the financial condition of its debtors was deteriorated and resulted in an impairment of their ability to make payments, impairment loss may be required. As at 31 December 2011, the carrying amount of trade receivables was approximately RMB35,130,000 (2010: RMB54,854,000), net of allowance for doubtful debts of approximately RMB39,000 (2010: RMB39,000). As at 31 December 2011, the carrying amount of other receivables was approximately RMB8,065,000 (2010: RMB5,651,000) and no impairment on other receivables was made (2010: nil).

Impairment of property, plant and equipment and prepaid lease payments

The Group assesses annually whether property, plant and equipment and prepaid lease payments have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment and prepaid lease payments have been determined based on value-in-use calculations. These calculations require the use of judgment and estimates. As at 31 December 2011, the carrying amounts of property, plant and equipment and prepaid lease payments were approximately RMB128,786,000 (2010: RMB113,739,000) and RMB13,316,000 (2010: RMB13,613,000) respectively. No impairment loss of property, plant and equipment and prepaid lease payments was made as at 31 December 2011 and 2010.

Income taxes

As at 31 December 2011, a deferred tax asset of approximately RMB1,653,000 (2010: RMB1,318,000), in relation to unused tax losses and unrealised profit on inventories has been recognised in the Group's consolidated statements of financial position. No deferred tax asset has been recognised on the The People's Republic of China (the "PRC") and Hong Kong tax losses of approximately RMB19,857,000 (2010: RMB15,581,000) as at 31 December 2011, due to unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Valuation of share-based payment

The valuation of the fair value of the share transferred requires judgment in determining the dividends expected on the shares and the risk-free interest rate as at the date of transfer.

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the interest-bearing borrowings as disclosed in note 28, cash and cash equivalents and equity attributable to the owners of the Company, comprising share capital, reserves and retained earnings.

The directors of the Company regularly review and manage the Group's capital structure. As part of this review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new shares issue, new borrowings raised or repayment of existing borrowings.

6. Financial Instruments

a. Categories of financial instruments

	2011 **RMB'000**	2010 RMB'000
Loans and receivables (including cash and cash equivalents)	**110,674**	77,195
Financial liabilities at amortised cost	**126,678**	151,892

b. Financial risk management objectives and policies

As at 31 December 2011, the Group's major financial instruments include trade receivables, other receivables, amounts due from a related party, restricted bank deposits, cash and bank balances, trade and bills payables, accruals and other payables, amount due to a shareholder/related parties and interest-bearing borrowings. Details of the financial instruments are disclosed in respective notes. The risk arising from the Group's financial instruments are mainly credit risk, foreign currency risk, interest rate risk and liquidity risk. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position. The principal financial assets are trade and other receivables and cash and bank balances.

In order to minimise the credit risk, the directors of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group aims at broadening the customer base by developing the PRC and the United States markets for innerwear products. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 December 2011, the Group's concentration of credit risk by geographical locations is mainly in Japan and the PRC which accounted for 26% (2010: 10%) and 73% (2010: 42%) respectively of the total receivables.

As at 31 December 2011, the Group had certain concentration of credit risk as of approximately 58% (2010: 79%) of the total trade receivables which were due from the Group's five largest customers.

Bank balances are placed in various authorised institutions and the directors of the Company consider the credit risk of such authorised institutions is low.

Foreign currency risk

The Group has foreign currency sales, which expose the Group to foreign currency risk. During the year ended 31 December 2011, approximately 69% (2010: 64%), of the Group's sales are denominated in United States dollars ("USD") which is different from the functional currencies of the group entities making the sale, whilst almost 99% (2010: 99%) respectively of costs are denominated in the functional currencies of the group entities.

6. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

Also, certain trade and other receivables, cash and bank balances, trade and other payables and interest-bearing borrowings are denominated in USD, Japanese yen ("JPY") and Hong Kong dollars ("HKD") respectively which are currencies other than the functional currency of the relevant group entities. The carrying amounts of the Group's foreign currency dominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2011	2010
	RMB'000	RMB'000
Assets		
USD	**9,247**	8,436
HKD	**36,267**	998
Liabilities		
USD	**10**	2,638
HKD	**958**	449
JPY	**40**	142

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group entities are mainly exposed to the fluctuation of USD, JPY and HKD.

The following table details the Group's sensitivity to a 5% for all periods increase and decrease in the functional currency (RMB) against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in relevant foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates.

A positive or negative number below indicates an increase or a decrease in post-tax profit where RMB strengthens 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit.

6. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

		HKD Impact (Note i)
	Year ended 31 December 2011 RMB'000	Year ended 31 December 2010 RMB'000
Decrease in post-tax profit for the year	**(1,324)**	(21)

		USD Impact (Note ii)
	Year ended 31 December 2011 RMB'000	Year ended 31 December 2010 RMB'000
Decrease in post-tax profit for the year	**(346)**	(217)

		JPY Impact (Note iii)
	Year ended 31 December 2011 RMB'000	Year ended 31 December 2010 RMB'000
Increase in post-tax profit for the year	**2**	5

Notes:

(i) This is mainly attributable to the exposure on HKD denominated cash and bank balances, other receivables and other payables at the end of each reporting period.

(ii) This is mainly attributable to the exposure on USD denominated trade receivables, cash and bank balances, trade and other payables at the end of each reporting period.

(iii) This is mainly attributable to the exposure on JPY denominated trade and other payables at the end of each reporting period.

6. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate interest-bearing borrowings (see note 28 for details of these borrowings). The Group's restricted bank deposits and bank balances also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The management considers the Group's exposure of the restricted bank deposits and bank balances to cash flow interest rate risk is not significant as the management does not anticipate significant fluctuation in interest rate on bank deposits. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rate offered from the People's Bank of China and the Hong Kong Inter-bank Offered Rate arising from the Group's interest-bearing borrowings.

Sensitivity analysis

The sensitivity analyses have been determined by the directors of the Company based on the exposure to interest rates for non-derivative instruments including restricted bank deposits, bank balances and interest-bearing borrowings. The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used for all periods when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

The directors of the Company consider that if interest rates had been 100 basis point higher/lower and all other variable were held constant, the Group's post-tax profit would decrease or increase by approximately RMB28,000 for the years ended 31 December 2011 (2010: RMB461,000).

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank facilities.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

6. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes both interest and principal cash flows. To the extent that interest cash flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

At 31 December 2011	**On demand or within one year RMB'000**	**More than one year and less than two years RMB'000**	**More than two years and less than five years RMB'000**	**Total undiscounted cash flows RMB'000**	**Carrying amount RMB'000**
Non-derivative financial liabilities					
Trade and bills payables	**43,881**	**—**	**—**	**43,881**	**43,881**
Accruals and other payables	**14,143**	**—**	**—**	**14,143**	**14,143**
Interest-bearing bank loans					
— variable rate *(Note)*	**67,520**	**6,322**	**—**	**73,842**	**68,654**
	125,544	**6,322**	**—**	**131,866**	**126,678**

At 31 December 2010	On demand or within one year RMB'000	More than one year and less than two years RMB'000	More than two years and less than five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities					
Trade and bills payables	55,038	—	—	55,038	55,038
Accruals and other payables	8,754	—	—	8,754	8,754
Amount due to a shareholder	1,559	—	—	1,559	1,559
Amounts due to related parties	728	—	—	728	728
Interest-bearing bank loans					
— fixed rate *(Note)*	28,859	367	6,307	35,533	33,377
— variable rate *(Note)*	30,622	10,616	—	41,238	38,436
Other loans					
— fixed rate	10,051	—	—	10,051	10,000
— variable rate	2,167	2,026	—	4,193	4,000
	137,778	13,009	6,307	157,094	151,892

6. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Note:

Bank loans with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 December 2011, the aggregate undiscounted principal amounts of these bank loans amounted to approximately RMB2,613,000 (2010: RMB4,768,000). In the opinion of directors of the Company, the probability of the banks choosing to exercise their discretionary rights to demand immediate repayment is remote as such loans were fully covered by the pledge of certain machinery with the net book value of approximately RMB12,427,000 as at 31 December 2011 and the Group had no history of default or delay in principal nor interests payments. Accordingly, the directors of the Company believe that such bank loans will not be demanded by banks for immediate repayments and will be wholly repaid three years after the reporting date in accordance with the scheduled repayment dates as set out in the loan agreements. At 31 December 2011, the aggregate principal and interest cash outflows will amount to approximately RMB2,704,000.

c. Fair value

The fair value of the non-derivative financial assets and non-derivative financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rates.

The directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The directors of the Company consider the fair values of the other non-current liabilities approximate their carrying amounts.

7. Revenue

Revenue represents the amounts received and receivable for sale of innerwear and fabrics products, net of discounts and sales related taxes. Revenue is analysed as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Innerwear products	**291,074**	257,686
Knitted fabrics	**125,473**	120,603
	416,547	378,289

8. Segment Information

The Group's operating segments, by category of products, based on information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment are as follows:

1) Innerwear products – manufacturing of innerwear and garments

2) Knitted fabrics – manufacturing of fabrics

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of gain on disposal of investment property and prepaid land lease payments, rental income, interest income, depreciation of investment property, amortisation of prepaid lease payments of investment property, directors' emoluments, and unallocated head office and corporate expenses.

Segment assets do not include investment property, prepaid lease payments of investment property, amounts due from a related party, prepayments for general operating, certain other receivables, deferred tax assets, restricted bank deposits and cash and bank balances. Segment liabilities do not include amounts due to a shareholder/related parties, other payables for general operating, income tax payables, interest-bearing borrowings and deferred tax liabilities.

Inter-segment sales are charged at prevailing market price.

8. Segment Information (continued)

An analysis of the Group's revenue, results, assets and liabilities for the years ended 31 December 2011 and 2010 by operating segment is as follows:

	Year ended 31 December 2011		
	Innerwear products RMB'000	Knitted fabrics RMB'000	Total RMB'000
Revenue			
External sales	291,074	125,473	416,547
Inter-segment revenue	58,016	106,579	164,595
Elimination	(58,016)	(106,579)	(164,595)
Group's revenue	291,074	125,473	416,547
Segment profit	54,949	19,558	74,507
Other income			333
Finance costs			(5,944)
Unallocated head office and corporate expenses			(19,860)
Profit before taxation			49,036
Segment assets	150,516	108,502	259,018
Unallocated assets:			
Cash and bank balances			63,744
Restricted bank deposits			8,700
Deferred tax assets			1,653
Prepayments			922
Other receivables			166
Consolidated total assets			334,203
Segment liabilities	38,008	23,582	61,590
Unallocated liabilities:			
Other payables			1,062
Income tax payable			6,361
Interest-bearing borrowings			68,654
Consolidated total liabilities			137,667

8. Segment Information (continued)

	Year ended 31 December 2010		
	Innerwear products RMB'000	Knitted fabrics RMB'000	Total RMB'000
Revenue			
External sales	257,686	120,603	378,289
Inter-segment revenue	29,468	101,725	131,193
Elimination	(29,468)	(101,725)	(131,193)
Group's revenue	257,686	120,603	378,289
Segment profit	45,866	22,993	68,859
Other income			3,896
Finance costs			(4,761)
Unallocated head office and corporate expenses			(1,589)
Profit before taxation			66,405
Segment assets	156,360	91,990	248,350
Unallocated assets:			
Cash and bank balances			9,454
Restricted bank deposits			9,600
Amount due from a related party			957
Deferred tax assets			1,318
Prepayments			3,752
Consolidated total assets			273,431
Segment liabilities	42,354	23,658	66,012
Unallocated liabilities:			
Other payables			146
Income tax payable			4,616
Amounts due to related parties			728
Amounts due to a shareholder			1,559
Interest-bearing borrowings			85,813
Consolidated total liabilities			158,874

8. Segment Information (continued)

Other segment information:

	Year ended 31 December 2011			
	Innerwear products RMB'000	Knitted fabrics RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation and amortisation	7,108	6,642	—	13,750
Reversal of impairment loss of inventories	(470)	—	—	(470)
Impairment loss of inventories	—	426	—	426
Loss (gain) on disposal of property, plant and equipment	475	(59)	—	416
Additions to property, plant and equipment	15,538	13,813	—	29,351
Additions to deposits paid to acquire non-current assets	500	1,690	—	2,190
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Bank interest income	(224)	(36)	(73)	(333)
Finance costs	3,329	2,615	—	5,944
Income tax expense	9,102	10,750	—	19,852

8. Segment Information (continued)

	Year ended 31 December 2010			
	Innerwear products RMB'000	Knitted fabrics RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation and amortisation	5,719	4,955	26	10,700
Impairment loss of inventory	444	202	—	646
Loss on disposal of property, plant and equipment	11	—	—	11
Additions to property, plant and equipment	18,881	20,613	—	39,494
Additions to deposits paid to acquire non-current assets	—	1,399	—	1,399
Additions to prepaid lease payments	—	4,568	—	4,568
Gain on disposal of investment property and prepaid lease payments	—	—	(3,293)	(3,293)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Bank interest income	(418)	(18)	—	(436)
Finance costs	3,175	1,586	—	4,761
Income tax expense	7,308	5,626	—	12,934

8. Segment Information (continued)

Geographical information:

The Group's revenue from external customers is determined by the destination where the products are delivered and information about its non-current assets by geographical location of the assets are detailed as follows:

	Revenue from external customers		Non-current assets (Note)	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Japan	**247,274**	196,443	**—**	—
The PRC (country of domicile)	**127,798**	148,896	**144,145**	128,454
America	**39,248**	30,249	**—**	—
Others	**2,227**	2,701	**—**	—
	416,547	378,289	**144,145**	128,454

Note: Non-current assets excluded deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2011	2010
	RMB'000	RMB'000
Customer A[1]	**151,920**	128,007

[1] Revenue from manufacture of innerwear and from overseas customer

9. Other Income and Gains

	2011	2010
	RMB'000	RMB'000
Interest income	**333**	436
Sales of scrap materials	**223**	—
Rental income	**—**	167
Gain on disposal of an investment property and prepaid lease payments *(Note)*	**—**	3,293
Others	**69**	—
	625	3,896
Gross rental income from an investment property	**—**	167
Less: Direct operating expenses from an investment property that generated rental income (included in administrative expenses)	**—**	(13)
	—	154

Note:

During the year ended 31 December 2010, a sale and purchase agreement of an investment property owned by the Group was signed between Grand Concord Trading Limited ("**Grand Concord Trading**"), a wholly owned subsidiary of the Company, and Sea Union International Limited ("**Sea Union**"), which is a related party of the Group. Please refer to note 35(ii)(e) for details. The investment property and prepaid lease payment with an carrying amount approximately RMB1,434,000 and RMB1,433,000 respectively have been sold at a consideration of HKD7,000,000 (equivalent to approximately RMB6,160,000) and a gain of approximately RMB3,293,000 was recognised during the year ended 31 December 2010.

10. Finance Costs

	2011	2010
	RMB'000	RMB'000
Interest on bank loans wholly repayable within five years	**6,074**	4,573
Interest on other loans wholly repayable within five years	**613**	630
	6,687	5,203
Less: amounts capitalised in the cost of qualifying assets	**(743)**	(442)
	5,944	4,761

Borrowing costs capitalised arose on the general borrowing pool are calculated by applying a capitalisation rate of 7.3% (2010: 6%) per annum to expenditure on qualifying assets.

11. Income Tax Expense

	2011 RMB'000	2010 RMB'000
Current tax:		
Provision for the year		
— PRC Enterprise Income Tax (the "EIT")	**19,844**	13,278
— Hong Kong Profits Tax	**—**	218
Withholding tax	**358**	—
Deferred tax (note 21)	**(350)**	(562)
	19,852	12,934

(i) Overseas income tax

Pursuant to the rules and regulations of the BVI, the BVI subsidiary and the Company are not subject to any income tax in the BVI.

(ii) Hong Kong Profits Tax

The applicable tax rate for the subsidiaries incorporated in Hong Kong is 16.5% for the years ended 31 December 2011 and 2010.

For the year ended 31 December 2011, no provision for Hong Kong Profits Tax had been made as there were no estimated assessable profit derived from Hong Kong subsidiaries.

(iii) EIT

Under the Law of the Corporate Income Tax Law of the PRC which became effective from 1 January 2008, the income tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The first profit-making year of Zhucheng Yumin Knitting Co., Limited 諸城裕民針織有限公司 ("**Zhucheng Yumin**"), one of the subsidiaries of the Company, was 2006 and it enjoyed 50% reduction of EIT and the applicable tax rate of Zhucheng Yumin was 12.5% for the year ended 31 December 2010. The applicable tax rate of Zhucheng Yumin was 25% for the year ended 31 December 2011.

No provision of EIT has been made for Shandong Grand Concord Garment Co., Limited 山東廣豪服飾有限公司 ("**Shangdong Grand Concord**"), one of the subsidiaries of the Company, as Shandong Grand Concord did not have any assessable profits subject to EIT for the years ended 31 December 2011 and 2010.

11. Income Tax Expense (continued)

(iv) Withholding tax

According to the joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui 2008 No. 1, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for the year ended 31 December 2011, in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB126,814,000 (2010: RMB81,083,000) as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such temporary differences will not reverse in the foreseeable future.

The tax charge can be reconciled to the profit before tax per the consolidated statements of comprehensive income as follows:

	2011 **RMB'000**	2010 RMB'000
Profit before tax	**49,036**	66,405
Tax at the domestic income rate of 25% (2010: 25%)	**12,259**	16,601
Tax effect of non-taxable income	**(23)**	(823)
Tax effect of non-deductible expenses	**6,127**	307
Effect of different tax rates of subsidiaries' operations in other jurisdictions and tax on concessionary tax rate	**183**	(5,791)
Withholding tax on distributed profit	**358**	—
Tax effect of tax losses not recognised	**948**	2,640
Tax charge for the year	**19,852**	12,934

Details of deferred tax are set out in note 21.

12. Profit for the Year

	2011 RMB'000	2010 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Salaries and other benefits	**55,667**	42,964
Share-based payment	**5,800**	—
Contributions to retirement benefit scheme	**2,723**	1,691
Total staff costs (including directors' emoluments)	**64,190**	44,655
Auditor's remuneration	**568**	26
Cost of inventories recognised as an expense	**289,085**	271,998
Amortisation of prepaid lease payments	**297**	280
Depreciation of property, plant and equipment	**13,453**	10,407
Depreciation of an investment property	**—**	13
Exchange difference, net	**1,810**	1,449
Loss on disposal of property, plant and equipment	**416**	11
Gain on disposal of investment property and prepaid lease payments	**—**	(3,293)
Reversal of impairment loss of inventories (included in cost of sales)	**(470)**	—
Impairment loss of inventories (included in cost of sales)	**426**	646
Research expenditure	**355**	188
Operating lease rentals in respect of rented premises	**950**	197

13. Directors' Emoluments

The details of directors' emoluments of each of the director for the years ended 31 December 2011 and 2010 are set out below:

For the year ended 31 December 2011

Name of Director	Fees	Salaries and other benefits	Contributions to retirement benefit scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Wong Kin Ling	—	635	7	642
Madam Hung Kin	—	896	7	903
Mr. Wang Shao Hua (Appointed on 15 August 2011)	—	430	1	431
Mr. Wei Jin Long (Appointed on 15 August 2011)	—	250	1	251
	—	2,211	16	2,227
Non-executive directors				
Mr. Wang Jin Tang (Appointed on 15 August 2011)	10	—	—	10
Ms. Tay Sheve Li (Appointed on 15 August 2011)	15	—	—	15
Dr. Chan Ah Pun (Appointed on 15 August 2011)	10	—	—	10
	35	—	—	35

For the year ended 31 December 2010

Name of Director	Fees	Salaries and other benefits	Contributions to retirement benefit scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Wong Kin Ling	—	126	4	130
Madam Hung Kin	—	126	4	130
	—	252	8	260

No directors waived or agreed to waive any emolument paid by the Group during the years ended 31 December 2011 and 2010. No emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2011 and 2010.

14. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, there were four directors, including Mr. Wang Shao Hua and Mr. Wei Jin Long, of the Company for the years ended 31 December 2011 (2010: two), whose emoluments are set out in note 13 above. The aggregate of the emoluments of Mr. Wang Shao Hua and Mr. Wei Jin Long, for the period from 1 January 2011 to 14 August 2011 and the emoluments of the remaining one individual for the year ended 31 December 2011 (2010: three) were as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other benefits	**2,178**	1,918
Contributions to retirement benefit scheme	**9**	2
Share-based payment	**5,800**	—
	7,987	1,920

Their emoluments were within the following bands:

	2011 No. of employees	2010 No. of employees
Nil to HKD1,000,000 (2011: equivalent to nil to RMB820,000; 2010: equivalent to nil to RMB847,000)	**1**	2
HKD1,500,001 to HKD2,000,000 (2011: equivalent to RMB1,230,000 to RMB1,640,000; 2010: equivalent to RMB1,271,000 to RMB1,695,000)	**—**	1
HKD4,000,001 to HKD4,500,000 (2011: equivalent to RMB3,280,001 to RMB3,690,000; 2010: equivalent to RMB3,388,001 to RMB3,811,500)	**1**	—
HKD4,500,001 to HKD5,000,000 (2011: equivalent to RMB3,690,000 to RMB4,100,000; 2010: equivalent to RMB3,811,501 to RMB4,235,000)	**1**	—

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2011 and 2010.

15. Dividends

No dividend was paid or proposed by the Company during the year ended 31 December 2011, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

16. Earnings Per Share

The calculation of basic earnings per share for the year ended 31 December 2011 is based on the profit attributable to owners of the Company of approximately RMB29,184,000 (2010: RMB53,471,000) and the weighted average of 308,328,767 ordinary shares (2010: 300,000,000 ordinary shares after adjusting for the new shares issued upon Reorganisation on 22 February 2011 and new shares issued on 31 August 2011) in issue during the year.

Weighted average number of ordinary shares

	2011	2010
Issued ordinary shares as at 1 January	**300,000,000**	300,000,000
Effect of issues of ordinary shares under public offering	**8,328,767**	—
Weighted average number of ordinary shares as at 31 December	**308,328,767**	300,000,000

The weighted average number of shares in issue during the year ended 31 December 2010 used in the basic earnings per share calculation is determined on the assumption that the shares issued before the listing of shares of the Company on the Stock Exchange (the "**Listing**"), which included 9,999,999 shares issued upon Reorganisation on 22 February 2011 and 290,000,000 shares issued on 31 August 2011, had been in issue since the beginning of the periods presented (1 January 2010).

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary share outstanding during the years ended 31 December 2011 and 2010.

17. Property, Plant and Equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST:							
As at 1 January 2010	49,284	2,044	51,968	2,307	3,354	949	109,906
Additions	—	647	23,107	502	3,344	11,894	39,494
Disposals	(11)	—	(808)	(465)	(17)	—	(1,301)
Transfer from construction in progress	—	—	121	—	—	(121)	—
Exchange adjustments	—	—	—	—	(23)	—	(23)
As at 31 December 2010 and 1 January 2011	49,273	2,691	74,388	2,344	6,658	12,722	148,076
Additions	366	—	12,785	2,250	1,193	12,757	29,351
Disposals	(1,127)	—	(553)	(14)	(1,772)	—	(3,466)
Transfer from construction in progress	19,321	—	—	—	—	(19,321)	—
Exchange adjustments	—	—	—	—	(19)	—	(19)
As at 31 December 2011	67,833	2,691	86,620	4,580	6,060	6,158	173,942
ACCUMULATED DEPRECIATION:							
As at 1 January 2010	6,552	676	14,220	1,192	2,387	—	25,027
Provided for the year	2,583	515	6,523	385	401	—	10,407
Eliminated on disposals	(5)	—	(620)	(444)	(5)	—	(1,074)
Exchange adjustments	—	—	—	—	(23)	—	(23)
As at 31 December 2010 and 1 January 2011	9,130	1,191	20,123	1,133	2,760	—	34,337
Provided for the year	2,873	504	8,292	648	1,136	—	13,453
Eliminated on disposals	(488)	—	(448)	(14)	(1,665)	—	(2,615)
Exchange adjustments	—	—	—	—	(19)	—	(19)
As at 31 December 2011	11,515	1,695	27,967	1,767	2,212	—	45,156
CARRYING VALUES:							
As at 31 December 2011	56,318	996	58,653	2,813	3,848	6,158	128,786
As at 31 December 2010	40,143	1,500	54,265	1,211	3,898	12,722	113,739

All the buildings of the Group are situated on land with medium-term land use rights in the PRC.

The above property, plant and equipment except for construction in progress are depreciated on a straight-line basis according to the following estimated useful lives and after taking into account their estimated residual values, as follows:

Buildings held for own uses	20 years
Leasehold improvements	5 years
Machinery	3 — 10 years
Office equipment	3 — 5 years
Motor vehicles	3 — 5 years

17. Property, Plant and Equipment (continued)

As at 31 December 2011, the Group has not obtained the building ownership certificates for buildings with carrying value of approximately RMB13,899,000 (2010: nil). The Group is in the process of obtaining the building ownership certificates.

As at 31 December 2011, certain Group's buildings and machinery with an aggregate carrying amount of approximately RMB48,098,000 (2010: RMB52,228,000) were pledged to secure the bank loans granted to the Group (note 33).

18. Investment Property

	2011	2010
	RMB'000	RMB'000
COST		
At beginning of the year	**—**	1,519
Disposals	**—**	(1,519)
At end of the year	**—**	—
ACCUMULATED DEPRECIATION		
At beginning of the year	**—**	72
Provided for the year	**—**	13
Eliminated on disposals	**—**	(85)
At end of the year	**—**	—
CARRYING VALUES		
At end of the year	**—**	—

On 18 August 2010, a sale and purchase agreement of an investment property owned by the Group was signed between Grand Concord Trading and Sea Union. The investment property and prepaid lease payments (note 19) have been sold at a consideration of HKD7,000,000 (equivalent to approximately RMB6,160,000) and a gain of approximately RMB3,293,000 was recognised in the year ended 31 December 2010.

The above investment property was depreciated over the terms of the respective leases on a straight-line basis for the year ended 31 December 2010. The investment property is situated on land in Hong Kong and held under long lease.

19. Prepaid Lease Payments

	2011 RMB'000	2010 RMB'000
COST		
At beginning of the year	**14,864**	12,104
Additions	**—**	4,568
Disposals	**—**	(1,808)
At end of the year	**14,864**	14,864
ACCUMULATED AMORTISATION		
At beginning of the year	**1,251**	1,346
Provided for the year	**297**	280
Eliminated on disposals	**—**	(375)
At end of the year	**1,548**	1,251
CARRYING VALUES		
At end of the year	**13,316**	13,613
Analysed for reporting purposes as:		
Non-current asset	**13,019**	13,316
Current asset	**297**	297
	13,316	13,613

The Group's prepaid lease payments comprise leasehold land in the PRC held under medium-term lease.

All the prepaid lease payments were pledged to secure the bank loans granted to the Group (note 33).

20. Deposits Paid to Acquire Non-current Assets

	2011 RMB'000	2010 RMB'000
Deposits paid to acquire:		
Property, plant and equipment	**2,190**	1,399

21. Deferred Tax Assets

The movement in deferred tax assets is as follows:

	Unrealised profit on inventories RMB'000	**Tax losses** RMB'000	**Accelerated tax depreciation** RMB'000	**Total** RMB'000
At 1 January 2010	380	366	28	774
Credited (charged) to profit or loss for the year	466	124	(28)	562
Exchange difference	—	(18)	—	(18)
At 31 December 2010 and at 1 January 2011	846	472	—	1,318
Credited (charged) to profit or loss for the year	350	—	—	350
Exchange difference	—	(15)		(15)
At 31 December 2011	1,196	457	—	1,653

As at 31 December 2011, the Group has unused PRC and Hong Kong tax losses of approximately RMB22,627,000 (2010: RMB18,442,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of Hong Kong tax losses approximately RMB2,770,000 of such losses at 31 December 2011 (2010: RMB2,861,000). No deferred tax asset has been recognised in respect of the remaining Hong Kong tax losses of approximately RMB1,420,000 (2010: nil) and PRC tax losses of approximately RMB18,437,000 at 31 December 2011 (2010: RMB15,581,000) due to unpredictability of future profit streams. All the unrecognised PRC tax losses at 31 December 2011 will expire in 2012 to 2017.

22. Inventories

	2011 **RMB'000**	2010 RMB'000
Raw materials	**18,490**	14,942
Work-in-progress	**28,506**	31,440
Finished goods	**15,389**	5,018
	62,385	51,400

During the year, write-back of provision for slow-moving inventories of approximately RMB470,000 (2010: nil) has been recognised and included in the cost of sales upon the sales of the relevant inventories.

23. Trade Receivables

	2011 RMB'000	2010 RMB'000
Trade receivables	**35,169**	54,893
Less: allowance for doubtful debts	**(39)**	(39)
	35,130	54,854

The Group generally allows an average credit period of 30 to 60 days to its trade customers. The Group does not hold any collateral over the trade receivables. The aging analysis of the Group's trade receivables net of allowance for doubtful debts is presented based on the invoice date at the end of each reporting period and as follows:

	2011 RMB'000	2010 RMB'000
0 – 30 days	**23,885**	38,492
31 – 60 days	**9,467**	15,725
61 – 90 days	**989**	190
Over 90 days	**789**	447
	35,130	54,854

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately RMB1,778,000 (2010: RMB637,000) which were past due as at the reporting date for which the Group has not provided for allowance for doubtful debts because there has not been a significant change in credit quality and these balances were subsequently recovered as at the date of this report.

The aging of trade receivables based on payment due date is as follows:

		Neither past	Past due but not impaired		
	Total	**due nor impaired**	**Less than 30 days**	**31 – 120 days**	**Over 120 days**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2010	54,854	54,217	190	447	—
31 December 2011	35,130	33,352	989	772	17

23. Trade Receivables (continued)

As at 31 December 2011, certain Group's trade receivables with an aggregate carrying amount of approximately RMB21,499,000 (2010: RMB6,765,000) were pledged to secure the bank loans granted to the Group. Details are disclosed in note 33.

The Group's trade receivables that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2011	2010
	RMB'000	RMB'000
USD	**8,909**	8,268

24. Prepayments and Other Receivables

	2011	2010
	RMB'000	RMB'000
Prepayments	**1,026**	3,752
Advance to suppliers	**9,208**	7,694
Other receivables	**8,065**	5,651
	18,299	17,097
Less: amount shown under non-current portion	**150**	—
	18,149	17,097

As at 31 December 2011, included in the other receivables was amount advanced to an independent third party amounting to RMB2,000,000 with no interest bearing and repayment on demand. The Group does not hold any collateral over the balance.

The Group has individually assessed all other receivables and no impairment loss was recognised during the years ended 31 December 2011 and 2010. All other receivables were neither past due nor impaired.

The Group's other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2011	2010
	RMB'000	RMB'000
HKD	**1,144**	57

25. Restricted Bank Deposits/Cash and Bank Balances

Restricted bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately RMB8,700,000 have been pledged to secure the short-term bills payables and short-term bank loans and are therefore classified as current assets as at 31 December 2011 (2010: RMB9,600,000). During the year ended 31 December 2011, the balances carried interest at average market rates from 0.5% to 3.3% (2010: 0.4% to 2.2%) per annum and will be released upon the completion of bills payable transactions and settlement of bank loans. The carrying amounts of the Group's restricted bank deposits are denominated in RMB.

Bank balances carried interest at average market rates from 0.01% to 0.5% per annum during the year ended 31 December 2011 (2010: 0.01% to 0.5%).

The Group's cash and bank balances that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2011	2010
	RMB'000	RMB'000
USD	**338**	168
HKD	**35,123**	941
	35,461	1,109

26. Trade and Bills Payables

The average credit period on purchase of raw materials granted by the Group's suppliers was from 30 to 120 days. The Group has financial risk management policy to ensure that all payables are settled within the credit timeframe. The aging analysis of trade payables is presented based on the invoice date at the end of the reporting period and as follows:

	2011	2010
	RMB'000	RMB'000
0 – 30 days	**27,875**	25,956
31 – 90 days	**8,818**	14,034
91 – 180 days	**4,601**	9,854
Over 180 days	**2,587**	5,194
	43,881	55,038

26. Trade and Bills Payables (continued)

The Group's trade and bills payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2011 RMB'000	2010 RMB'000
USD	—	2,638
JPY	—	142
	—	2,780

27. Accruals and Other Payables

	2011 RMB'000	2010 RMB'000
Payroll and welfare payables	10,882	8,056
Other tax payables	2,955	1,958
Other payables	3,261	698
	17,098	10,712

The Group's accruals and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2011 RMB'000	2010 RMB'000
USD	10	—
JPY	40	—
HKD	958	372
	1,008	372

28. Interest-bearing Borrowings

	2011 RMB'000	2010 RMB'000
Bank loans	**68,654**	71,813
Other loans (Note (i))	**—**	14,000
	68,654	85,813
Secured (Note (ii) and (iii))	**68,654**	71,813
Unsecured	**—**	14,000
	68,654	85,813
Carrying amount repayable:		
On demand or within one year	**60,041**	63,045
More than one year, but not exceeding two years	**6,000**	12,000
More than two years but not more than five years	**—**	6,000
	66,041	81,045
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities under HK Int 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause)	**2,613**	4,768
	68,654	85,813
Less: amounts shown under current liabilities	**(62,654)**	(67,813)
	6,000	18,000

Notes:

(i) The Group's other loans as at 31 December 2010 included borrowing of approximately RMB4,000,000 from 諸城市國有資產經營總公司 (Zhucheng State-owned Assets Management Company*), which is an independent third party of the Group, bore at interest rate at the People's Bank of China prime rate plus 5% per annum. The other loans were fully repaid during the year ended 31 December 2011.

The Group's other loans as at 31 December 2010 included borrowing of approximately RMB10,000,000 from 諸城市舜邦投資開發有限公司 (Zhucheng Shunbang Investment Development Limited Company*), which is an independent third party of the Group, bore interest at 5.56% per annum. The other loans were fully repaid during the year ended 31 December 2011.

* The English names of the PRC entities are translation from their Chinese names and are for identification purpose only.

28. Interest-bearing Borrowings (continued)

Notes: (continued)

(ii) As at 31 December 2011, secured bank loans with carrying amount of approximately RMB41,654,000 (2010: RMB63,813,000) were secured by prepaid lease payments, buildings, machinery, restricted bank deposits of the Group. As at 31 December 2011, a secured bank loan with carrying value of approximately RMB27,000,000 (2010: RMB8,000,000) was secured by trade receivables of Zhucheng Yumin. Details are disclosed in note 33.

(iii) As at 31 December 2010, certain bank loans of approximately RMB8,013,000 (2011: nil) were jointly guaranteed by directors of the Company. Details of guarantee are disclosed in note 35. The guarantee provided by directors of the Company was released upon the listing of the Company's shares on the Stock Exchange.

The effective interest rate per annum at the end of the reporting periods ranged from:

	2011		2010	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Fixed rate borrowings	**—**	**—**	5.1% — 6.12%	43,377
Variable rate borrowings	**6.56% — 9.31%**	**68,654**	5.31% — 7.84%	42,436
		68,654		85,813

The Group's interest-bearing borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2011	2010
	RMB'000	RMB'000
HKD	**—**	77

As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2011	2010
	RMB'000	RMB'000
Expiring within one year	**88,500**	—

29. Share Capital

Authorised ordinary shares:

On 8 December 2010, the Company was incorporated and was initially authorised to issue a maximum of 39,000,000 ordinary shares of HKD0.01 each. On 10 March 2011, the Company re-designated all the authorised shares of HKD0.01 as shares with no par value in compliance with the Companies Act.

On 15 August 2011, the Company increased its maximum number of authorised ordinary shares from 39,000,000 shares to 1,000,000,000 shares. The new shares rank pari passu with the existing shares in all respects.

	Notes	**Number of shares**	**Share Capital** HKD	RMB'000
Issued and fully paid:				
Ordinary shares as at 8 December 2010 (date of incorporation), 31 December 2010 and 1 January 2011 at HKD0.01 per share		1	—	—
Issued of new shares upon Reorganisation at HKD0.01 per share	(a)	9,999,999	100,000	83
Issued of new shares on 31 August 2011 at issue price of HKD0.0000001 per share	(b)	290,000,000	29	—
Issued of new shares under public offering	(c)	80,000,000	64,000,000	52,150
Less: share issuance cost	(c)	—	(6,508,854)	(5,295)
Ordinary shares as at 31 December 2011		380,000,000	57,591,175	46,938

Note:

(a) On 22 February 2011, the Company allotted and issued an aggregate of 9,999,999 new ordinary shares of HKD0.01 each to Global Wisdom in exchange for the entire equity interest in Grand Concord Trading from Mr. Wong Kin Ling and Madam Hung Kin, the directors of the Company for the Reorganisation. The details of the Reorganisation are set out in the prospectus of the Company dated 14 November 2011.

(b) On 31 August 2011, the Company allotted and issued an aggregate of 290,000,000 new ordinary shares to their existing shareholders at an issue price of HKD0.0000001 and in aggregate of HKD29.

(c) On 24 November 2011, 80,000,000 ordinary shares of the Company were issued at HKD0.8 by way of placing and public offer and amount of approximately HKD6,509,000 (equivalent to approximately RMB5,295,000) share issuance cost was incurred with the new shares issue. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

30. Share-based Payment

On 7 March 2011, in recognition of the services of two senior executives of the Group's subsidiaries (whom were appointed as directors of the Company as at 15 August 2011) (the "**Executives**"), Global Wisdom, being the Company's holding company, transferred a total of 1,300,000 shares of the Company (the "**Shares**") to the Executives, at an aggregate consideration of approximately RMB30,719,000 (the "**Shares Consideration**"). The Shares Consideration was determined by reference to a valuation, which performed by an independent valuer, and represented the then fair values of the Shares. The Shares Consideration are payable by the Executives in cash by three installments, with the first and second installments of aggregate RMB16,000,000 already settled by the Executives on 7 March 2011 and 7 March 2012 and the remaining installment to be settled by them on 7 March 2013. The net present value of the Shares Consideration to be settled by the Executives was determined to be approximately RMB24,919,000 as at 7 March 2011.

Accordingly, the Group recorded an expense for the share-based payment of RMB5,800,000 in respect of the aforesaid arrangement which accounted for as equity-settled share-based payment transaction in the year ended 31 December 2011, which represented the difference of the fair value of Shares transferred to the Executives and the net present value of Shares Consideration to be settled by the Executives as at 7 March 2011. Such amount of RMB5,800,000 was recorded as "other reserve" of the Group.

On 19 August 2011, the Company has adopted a share option scheme (the "**Scheme**") for the primary purpose of providing incentives to directors, eligible employees and other selected participants and will expire on 18 August 2021. Under the Scheme, the directors of the Company may, at their discretion, invite i) employees of the Company and its subsidiaries; ii) non-executive directors of the Company and its subsidiaries; iii) suppliers of goods or services to the Company and its subsidiaries; iv) customers of the Company and its subsidiaries; v) any person or entity that provides research, development or other technological support to the Company and its subsidiaries; vi) any shareholder of the Company and its subsidiaries; vii) adviser or consultant to any area of business or business development of the Company and its subsidiaries; viii) other group or classes of participants who have contributed or may contribute by way of joint ventures, business alliance or other business arrangement to the growth of the Company and its subsidiaries to take up options to subscribe for shares. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the issued shares on the day on which trading of the shares of the Company commence on the Stock Exchange. Such limit may be refreshed subject to the shareholders' approval.

No share option was granted under the Scheme during the year ended 31 December 2011.

31. Operating Leases Arrangements

The Group as leasee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011 RMB'000	2010 RMB'000
Within one year	**1,147**	406
In the second to fifth years, inclusive	**609**	720
Over five years	**420**	90
	2,176	1,216

Operating lease payments represent rentals payable by the Group for certain of its office properties and factories. Leases contracts are negotiated and rentals are fixed for three to ten years.

32. Capital Commitments

	2011 RMB'000	2010 RMB'000
Amount contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**10,000**	9,555

33. Pledge of Assets

Assets with the following carrying amounts have been pledged to secure bills payables (Note 26) to suppliers and bank loans (Note 28) of the Group at the end of the year:

	2011 RMB'000	2010 RMB'000
Prepaid lease payments	**13,316**	13,613
Buildings	**35,671**	37,901
Machinery	**12,427**	14,327
Restricted bank deposits	**8,700**	9,600
Trade receivables	**21,499**	6,765
	91,613	82,206

34. Retirement Benefit Schemes

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

During the years ended 31 December 2011 and 2010, the Group operated a Mandatory Provident Fund Scheme ("**MPF Scheme**") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme were held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees were each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme was to make the required contributions under the scheme. No forfeited contribution was available to reduce the contribution payable in the future years.

For the year ended 31 December 2011, the total amounts contributed by the Group to retirement benefit scheme and charged to profit or loss were approximately RMB2,723,000 (2010: RMB1,691,000).

35. Material Related Party Transactions

In addition to the transactions and balances detailed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the years ended 31 December 2011 and 2010:

Name of party	Relationship
Shanghai Guang Yu Textiles Co. Ltd (上海廣裕紡織品有限公司) ("Guang Yu") *(Note 1 and 2)*	Under significant influence of Mr. Wei Jin Long who is a senior executive of the Group and he became the director of the Company on 15 August 2011
Zhucheng Noble Knitting & Garment Co., Ltd (諸城裕興針織服裝有限公司) ("Zhucheng Noble") *(Note 1 and 3)*	Ultimately controlled by Mr. Wong Kin Ling
Bolden Garment Limited ("Bolden Garment") *(Note 4)*	Ultimately controlled by Mr. Wong Kin Ling and Madam Hung Kin
Qingdao Ai Rui Bo Garment Co. Ltd. (青島埃瑞柏服飾有限公司) ("Ai Rui Bo") *(Note 1)*	Ultimately controlled by Mr. Wang Jian She who is the brother of Mr. Wong Kin Ling
Sea Union	Ultimately controlled by Ms. Wong Man Kit who is the daughter of Mr. Wong Kin Ling and Madam Hung Kin
Madam Hung Kin and Mr. Wong Kin Ling	Controlling shareholders and directors of the Company
Mr. Wang Shao Hua and Mr. Wei Jin Long	Senior executives of the Group and became the directors of the Company on 15 August 2011

35. Material Related Party Transactions (continued)

Notes:

1) The English translation of the company names are for reference only. The official names of these entities are in Chinese.

2) Guang Yu was no longer a related party of the Group after change in its shareholder to an independent third party on 4 March 2011.

3) Zhucheng Noble was no longer a related party of the Group after change in its shareholder to an independent third party on 31 December 2010.

4) Bolden Garment was registered as a dormant company since 3 January 2011.

(i) Balances:

	Year ended 31 December 2011 RMB'000	**Year ended 31 December 2010** RMB'000	**Maximum amount outstanding during the year 2011** RMB'000	**Maximum amount outstanding during the year 2010** RMB'000
Trade receivables *(Note a)*				
Bolden Garment	—	2,682		
Amount due from a related party *(Note b)*				
Bolden Garment	—	957	957	957
Amount due to a shareholder *(Note c)*				
Madam Hung Kin	—	1,559		
Amounts due to a related party *(Note b)*				
Bolden Garment	—	728		

Notes:

a) The Group had concluded sale transactions to a related party during the year ended 31 December 2010. The balances represent the unsettled amount arising from sale transactions. No transaction with Bolden Garment was concluded for the year ended 31 December 2011.

b) The amounts arose from (to) temporary fund transfer of non-trade nature. The amounts due from (to) a related party were unsecured, non-interest bearing and repayable on demand. The amounts were fully settled before the listing of the Company's shares on the Stock Exchange.

c) The amounts due to a shareholder was unsecured, non-interest bearing and repayable on demand. The balances was fully settled before the listing of the Company's shares on the Stock Exchange.

35. Material Related Party Transactions (continued)

(ii) Transactions with related parties:

	Name of party	Nature of transaction	2011 RMB'000	2010 RMB'000
(a)	Bolden Garment	Sales of goods by the Group	**—**	15,256
		Purchase of goods by the Group	**—**	518
(b)	Guang Yu	Sales of goods by the Group	**277**	21,452
		Purchase of goods by the Group	**279**	—
(c)	Zhucheng Noble	Sales of goods by the Group	**—**	90
		Purchase of goods by the Group	**—**	2,121
(d)	Ai Rui Bo	Sales of goods by the Group	**—**	39
(e)	Sea Union	Sale of investment property by the Group *(Note)*	**—**	6,160
(f)	Mr. Wong Kin Ling and Madam Hung Kin	Bank loan guaranteed by directors	**—**	8,013
(g)	Mr. Wang Shao Hua and Mr. Wei Jin Long	Share-based payment *(note 30)*	**5,800**	—

The directors of the Company are of the opinion that the transactions (a), (b), (c) and (d) with related parties were conducted on normal commercial terms in the ordinary course of business.

The directors of the Company confirmed the transaction (e), (f) and (g) concluded under mutually agreed terms.

Note:

On 18 August 2010, a sale and purchase agreement of an investment property owned by the Group was signed between Grand Concord Trading and Sea Union. The investment property together with the prepaid lease payments have been sold at a consideration of HKD7,000,000 (equivalent to approximately RMB6,160,000).

35. Material Related Party Transactions (continued)

(iii) Key management compensation

The remuneration of the directors and other members of key management of the Group during the year is follows:

	2011 RMB'000	2010 RMB'000
Short-term benefits	**4,884**	2,226
Post-employment benefits	**34**	13
Share-based payment	**5,800**	—
	10,718	2,239

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

36. Major Non-cash Transactions

During the year ended 31 December 2010, an investment property was sold at a consideration of HKD7,000,000 (equivalent to RMB6,160,000) which was settled through the balances with a shareholder under a set off agreement signed between Sea Union and Madam Hung Kin, the controlling shareholder and director of the Company.

The consideration for additions to prepaid land leases of approximately RMB4,568,000 during the year ended 31 December 2010 as set out in Note 19 was settled by deposit of approximately RMB1,863,000.

The consideration for additions to property, plant and equipment of approximately RMB29,351,000 (2010: RMB39,494,000) for the year ended 31 December 2011 as set out in Note 17 was partially settled by deposit of approximately RMB1,399,000 (2010: RMB511,000).

37. Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2011 as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Indirect	Principal activities
Grand Concord Trading 廣豪貿易有限公司	Hong Kong	HKD2	100%	Investment holding
Grand Concord Garment (Hong Kong) Limited 廣豪服飾(香港)有限公司	Hong Kong	HKD1	100%	Trading of garments
Zhucheng Eternal Knitting Co., Limited 諸城裕泰針織有限公司 *(Note (i) and (ii))*	The PRC	USD1,300,000	100%	Manufacture of innerwear
Zhucheng Yumin 諸城裕民針織有限公司 *(Note (i) and (ii))*	The PRC	USD2,600,000	100%	Manufacture of fabrics, provision of fabric weaving knitting, printing and dyeing services
Shandong Grand Concord 山東廣豪服飾有限公司 *(Note (i) and (ii))*	The PRC	USD850,000	100%	Manufacture of innerwear and garments

Notes:

(i) The entity is wholly foreign owned enterprise established in the PRC.

(ii) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantive portion of the net assets of the Group.

Financial Summary

Results

	Year ended 31 December			
	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**416,547**	378,289	194,912	136,188
Profit for the year	**29,184**	53,471	31,612	7,448
Total comprehensive income for the year	**29,324**	53,666	31,446	8,046

Assets and liabilities

	As at 31 December			
	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**334,203**	273,431	190,289	143,464
Total liabilities	**(137,667)**	(158,874)	(129,398)	(114,019)
Total equity	**196,536**	114,557	60,891	29,445

Note: The Company was incorporated in the British Virgin Islands on 8 December 2010 and became the holding company of the Group on 22 February 2011. The results and assets and liabilities of the Group for 2008, 2009 and 2010 have been prepared on a combined basis as if the current group structure had been in existence throughout and at the end of those years and have been extracted from the Prospectus.