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

INTERIM REPORT 2012

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 *(Chairlady)*
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.

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 six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue	**196,237**	140,158
Gross profit	**50,904**	46,642
Profit before tax	**21,946**	10,666
Profit for the period	**15,198**	4,117
Total comprehensive income for the period	**15,103**	4,187

	As at 30 June 2012	As at 31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current assets	**159,231**	145,798
Current assets	**256,329**	188,405
Current liabilities	**197,921**	131,667
Net current assets	**58,408**	56,738
Total assets	**415,560**	334,203
Total assets less current liabilities	**217,639**	202,536
Total equity	**211,639**	196,536
Cash and bank balances	**57,697**	63,744

Key Financial Ratios

	For the six months ended 30 June	
	2012	2011
Gross profit margin	**25.9%**	33.3%
Net profit margin	**7.7%**	2.9%
Trade receivables turnover days	**46**	56
Inventory turnover days	**96**	147

	As at 30 June 2012	As at 31 December 2011
Gearing ratio(1)	**23.5%**	20.5%
Current ratio(2)	**1.3**	1.4

Note:

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

2. Current ratio represents the ratio between current assets and current liabilities.

Revenue of the Group Analysed by Product Categories

	Six months ended 30 June			
	2012		2011	
	RMB'000	**%**	*RMB'000*	%
Knitted fabrics				
General fabrics	**5,934**	**3.0**	13,141	9.4
Functional fabrics	**40,539**	**20.7**	32,804	23.4
Sub-total	**46,473**	**23.7**	45,945	32.8
Innerwear products				
General innerwear	**57,121**	**29.1**	38,181	27.2
Functional innerwear	**92,643**	**47.2**	56,032	40.0
Sub-total	**149,764**	**76.3**	94,213	67.2
Total	**196,237**	**100.0**	140,158	100.0

Revenue of the Group Analysed by Regional Distribution

	Six months ended 30 June			
	2012		2011	
	RMB'000	**%**	*RMB'000*	%
Japan	**103,400**	**52.7**	78,428	56.0
The PRC	**56,251**	**28.7**	45,159	32.2
United States	**36,586**	**18.6**	14,552	10.4
Others	**—**	**0.0**	2,019	1.4
Total	**196,237**	**100.0**	140,158	100.0

Business Review

In the first half of 2012, the European debt crisis continued to haunt the global economy. As the People's Republic of China (the "**PRC**" or "**China**") central government gave top priority to maintaining steady growth and intensified pre-emptive and subtle policy adjustments, the overall national economy of the PRC remained largely stable. The textile industry recorded growth in export during the period under review, albeit at a declining growth rate as compared to the same period in 2011. Coupled with increasing labour costs and intensifying competition, enterprises face pressure in their operations. Despite facing competition from other countries with lower labour costs, the PRC still enjoys competitive advantages through continuous innovation, excellent management and advanced supporting facilities.

In view of the challenges posed by the macro-environment, Grand Concord International Holdings Limited (the "**Company**" hereinafter together with its subsidiaries referred to as the "**Group**") and its subsidiaries provided fast, effective and flexible textile products supply chain solutions to its domestic and overseas customers by leveraging on its vertically integrated business model involving fabric weaving and knitting to innerwear cutting and sewing. Meanwhile, a relatively stable raw materials prices in the first half of 2012 helped the Group to stabilise its cash flow, enabling the Group to increase development efforts, optimise its production process and enhance its production capacity and efficiency.

During the period under review, the Group recorded an increase in both sales orders and sales volume. In particular, the Group implemented a change in product mix, which resulted in a rapid increase in the sales of spring and summer products, mainly composed of the Group's innerwear products.

In anticipation of a growing demand for the Group's products, the Group upgraded its production facilities in the first half of 2012 through investments in environmental-friendly and technically advanced machineries. As a result, it produced economies of scale for the Group's operations and enabled the Group to achieve a higher level of production efficiency and competitiveness in order to rise to the challenges posed by the global economy and the rising costs in raw materials. Under the enlarged scale of the production facilities, the Group can meet the needs of its existing customers and process orders from new customers at the same time, which illustrates the continuous development of the Group.

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 six months ended 30 June 2012, with corresponding comparative figures for 2011:

	Six months ended 30 June			
	2012		2011	
	RMB'000	**%**	*RMB'000*	%
Knitted fabrics				
General fabrics	**5,934**	**3.0**	13,141	9.4
Functional fabrics	**40,539**	**20.7**	32,804	23.4
Sub-total	**46,473**	**23.7**	45,945	32.8
Innerwear products				
General innerwear	**57,121**	**29.1**	38,181	27.2
Functional innerwear	**92,643**	**47.2**	56,032	40.0
Sub-total	**149,764**	**76.3**	94,213	67.2
Total	**196,237**	**100.0**	140,158	100.0

For the six months ended 30 June 2012, the Group recorded a revenue of approximately RMB196.2 million (2011: RMB140.2 million), representing an increase of approximately RMB56.0 million, or approximately 40.0%. The sales volume of general fabrics, functional fabrics, general innerwear and functional innerwear for the six months ended 30 June 2012 were approximately 121 tons, 526 tons, 4.2 million pieces and 5.8 million pieces respectively (2011: 195 tons, 399 tons, 3.4 million pieces and 3.4 million pieces respectively). The growth in revenue was mainly due to the change of the Group's product mix with a rapid increase in the sales of spring and summer products which mainly include the Group's innerwear products.

Sales of knitted fabrics amounted to approximately RMB46.5 million (2011: RMB45.9 million) representing approximately 23.7% (2011: 32.8%) of the total revenue for the six months ended 30 June 2012. The sales amount was similar to that over the same period in the year before.

Sales of innerwear products amounted to approximately RMB149.8 million (2011: RMB94.2 million), representing approximately 76.3% (2011: 67.2%) of the total revenue for the six months ended 30 June 2012. The increase in the sales of innerwear products of approximately RMB55.6 million, or approximately 59.0%, for the six months ended 30 June 2012 was mainly due to the Group's further expansion into the market of spring and summer innerwear products of which the Group had put less focus on in the prior years. The sales volume of the innerwear products increased from approximately 6.8 million pieces for the six months ended 30 June 2011 to approximately 10.0 million for the six months ended 30 June 2012.

Cost of sales

Cost of sales increased by approximately 55.4% from approximately RMB93.5 million for the six months ended 30 June 2011 to approximately RMB145.3 million for the corresponding period in 2012. The increase in the cost of sales primarily reflected the increase in the cost of raw materials, direct labour costs and subcontracting charges incurred by the Group during the six months ended 30 June 2012 as a result of the increase in sales. The unit production cost of the Group in the first six months of 2012 was higher than that over the same period in 2011, which was mainly due to the increase in production and sales of functional products with relatively higher unit cost over that of the general products, and the increase in subcontracting expenses due to the sharp increase in production and sales volume.

Gross profit and gross profit margin

Gross profit increased by approximately RMB4.3 million, or 9.1%, from approximately RMB46.6 million for the six months ended 30 June 2011 to approximately RMB50.9 million for the six months ended 30 June 2012 as a result of the increase in sales volume in the first six months of 2012. The Group's gross profit margin decreased from 33.3% for the six months ended 30 June 2011 to 25.9% for the corresponding period in 2012, mainly due to the increase in unit production cost of the Group's products as described above.

The following table sets forth the Group's gross profit and gross profit margins by products for the six months ended 30 June 2012, with corresponding comparative figures in the same period of 2011:

	Six months ended 30 June			
	2012		2011	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	**%**	*RMB'000*	%
Knitted fabrics				
General fabrics	**832**	**14.0**	2,155	16.4
Functional fabrics	**11,277**	**27.8**	10,755	32.8
Sub-total	**12,109**		12,910	
Innerwear products				
General innerwear	**9,430**	**16.5**	7,787	20.4
Functional innerwear	**29,365**	**31.7**	25,945	46.3
Sub-total	**38,795**		33,732	
Total	**50,904**	**25.9**	46,642	33.3

Other income and gains

Other income and gains amounted to approximately RMB1.0 million (2011: RMB0.1 million) for the six months ended 30 June 2012, which were mainly interest income from bank deposits, waiver of certain trade and other payables and sales of scrap materials.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 8.0% to approximately RMB4.3 million (2011: RMB4.0 million) for the six months ended 30 June 2012, primarily due to the increase in sales for the period. As the sales volume of fabrics and innerwear products increased by 8.9% and 47.1%, respectively, the relevant transportation costs incurred for local and overseas delivery to customers increased. Through the efforts in negotiating with its customers, the Group has been able to shift part of the increase in transportation costs to some customers.

Share-based payment

Share-based payment represented the expenses recognised in relation to the pre-listing share compensation to the management. There was no share-based payment recognised during the six months ended 30 June 2012 (2011: RMB5.8 million).

Administrative expenses

Administrative expenses remained stable at approximately RMB23.5 million (2011: RMB23.5 million) for the six months ended 30 June 2012 primarily reflecting increases in total staff benefits (including salaries, social welfare and other staff costs) paid to the board (the "**Board**") of directors (the "**Directors**") of the Company and administrative staff due to business expansion, netting off with the one-off legal and professional expenses paid to professional parties in relation to the listing of the Company (the "**Listing**") during the six months ended 30 June 2011.

Finance costs

Finance costs decreased to approximately RMB2.2 million (2011: RMB2.8 million) for the six months ended 30 June 2012 primarily due to a lower average bank borrowings when compared to that for the same period in 2011, outweighting the effect of a slight increase in effective interest rate with a range of 5.85% to 9.31% for 2012 (2011: 5.10% to 8.96%) which was charged on the bank borrowings.

Profit before tax

The Group's profit before tax increased to approximately RMB21.9 million (2011: RMB10.7 million) for the six months ended 30 June 2012 due to the increase in sales of the Group and the absence of share-based payment.

Income tax expense

Income tax expense slightly increased to approximately RMB6.7 million (2011: RMB6.5 million). The Group's effective tax rate for the six months ended 30 June 2012 was approximately 30.7% as compared to approximately 61.4% for the corresponding period in 2011. The effective tax rate was relatively higher in the six months ended 30 June 2011 as there were non-deductible expenses such as the share-based payment and certain one-off legal and professional expenses paid to professional parties in relation to the Listing incurred in that period.

Profit for the period and profit margin

The Group's profit increased by approximately RMB11.1 million, or approximately 269.2%, from approximately RMB4.1 million for the six months ended 30 June 2011 to approximately RMB15.2 million for the corresponding period in 2012. Profit margin was approximately 7.7% for the six months ended 30 June 2012 (2011: 2.9%). The increases in profit and profit margin were mainly due to the increase in sales volume as well as the revenue, and the absence of certain one-off administrative expenses in relation to the Listing and share-based payment, which were both incurred in the six months ended 30 June 2011 as mentioned above.

Inventories

The inventory balances increased to approximately RMB90.5 million as at 30 June 2012 (as at 31 December 2011: RMB62.4 million) reflecting an increase in raw materials and finished goods in anticipation of increased sales orders and delivery in the second half of 2012.

Trade and bills receivables

Trade and bills receivables increased to approximately RMB63.7 million (as at 31 December 2011: RMB35.1 million) as at 30 June 2012. The trade and bills receivables as at 30 June 2012 were relatively higher as the Group had a mass delivery to customers in April and May 2012.

Trade and bills payables

Trade and bills payables increased to approximately RMB82.6 million (as at 31 December 2011: RMB43.9 million) as at 30 June 2012. The Group made more purchases of raw materials in response to the increase in production volume during the six months ended 30 June 2012, which led to the increase in the trade and bills payables accordingly.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sales of its products and bank borrowings. As at 30 June 2012, the Group's current ratio (calculated as current assets divided by current liabilities) was approximately 1.30 (as at 31 December 2011: 1.43). As at 30 June 2012, the Group had cash and cash equivalents of approximately RMB57.7 million (as at 31 December 2011: RMB63.7 million), which were mainly generated from or utilised in daily operations, including sales of products, purchase of materials and obtaining of the short-term bank loans of approximately RMB91.5 million (as at 31 December 2011: RMB62.7 million). As at 30 June 2012, the Group's gearing ratio (calculated as the total debt as at period-end divided by total assets as at period-end x 100%, where total debts are defined to include both current and non-current interest-bearing borrowings) was approximately 23.5%, as compared to approximately 20.5% as at 31 December 2011.

As at 30 June 2012, the Group had no fixed rate bank loans (as at 31 December 2011: nil) but had variable rate bank loans of approximately RMB97.5 million (as at 31 December 2011: RMB68.7 million). The effective interest rates on the Group's variable-rate bank borrowings ranged from 5.85% to 9.31% per annum as at 30 June 2012 (as at 31 December 2011: variable-rate bank borrowings ranged from 6.56% to 9.31% per annum). During the period 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 second half of the year.

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

Interest rate and foreign currency exposure

The Group's fair value interest rate risk relates primarily 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 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, and trade and other payables are denominated in USD, Japanese yen and HKD respectively, while substantial operating expenses were denominated in RMB, and the Group's reporting currency was 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 price to compensate for the increase in the cost of production. This would lower the Group's pricing competitiveness for its products and could result in a decrease in revenue. In the future, the management will monitor the Group's foreign exchange exposure and will consider hedging or factoring significant foreign currency exposure should the need arise.

Contingent liabilities

As at 30 June 2012, the Group had no material contingent liabilities.

Charges on Group assets

As at 30 June 2012, the Group's bills payables and bank loans were secured by pledges over the Group's machinery, buildings and prepaid lease payments of carrying amounts of approximately RMB11.6 million, RMB31.2 million and RMB11.6 million, respectively (as at 31 December 2011: RMB12.4 million, RMB35.7 million and RMB13.3 million, respectively). None of the trade receivables of the Group as at 30 June 2012 (as at 31 December 2011: RMB21.5 million) were pledged against short-term bank loans of the Group. As at 30 June 2012, the Group also pledged its bank deposits of approximately RMB19.5 million (as at 31 December 2011: RMB8.7 million) to secure short-term bills payables.

Use of Proceeds from Listing

The Company's shares have been listed on The Stock Exchange of the Hong Kong Limited (the "**Stock Exchange**") since 24 November 2011. The net proceeds from the Listing after deducting the relevant expenses amounted to approximately HK$38.4 million. The Company currently does not have any intention to change its plan for the use of the proceeds as stated in the prospectus of the Company dated 14 November 2011. From the date of the Listing up to the date of this interim report, out of the total net proceeds from the Listing, approximately HK$12.1 million was utilised for upgrading and expanding the Group's manufacturing equipment and production plants to enhance its production efficiency and approximately HK$2.4 million was utilised for developing high-margin and innovative products. The remaining proceeds of approximately HK$23.9 million was deposited in interest-bearing accounts of financial institutions in the PRC and Hong Kong.

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 listed securities during the six months ended 30 June 2012.

Material Acquisitions and Disposals

During the six months ended 30 June 2012, the Group did not engage in any material acquisitions or disposals.

Human Resources

As at 30 June 2012, the Group employed approximately 1,800 employees. Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group would conduct periodic reviews of the performance of its employees and their salaries and bonuses are performance-based. During the period under review, 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.

Events after the Reporting Period

There are no significant events subsequent to 30 June 2012 which would materially affect the Group's operating and financial performance as at the date of the unaudited condensed consolidated interim results.

Interim Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2012 (2011: Nil).

Prospects

The global economy shall remain challenging, but it is expected that government policies will help to stabilise the economy in the second half of 2012. The PRC government has correspondingly implemented some specific fiscal and broader monetary initiatives such as cutting interest rates and easing credit restrictions to the property and government sectors. The Group shall adopt cautious strategies to achieve a sustainable growth, aiming at increasing its sales volume and generating a higher profit.

The Group shall continue to strive to enlarge its market share through diversification of its products, forging strategic alliances with major leading apparel brands and strengthening its research and development capability with respect to operations, raw materials and new product development.

Capital expenditure is estimated to be approximately RMB37 million for the year ending 31 December 2012, of which approximately RMB21.8 million has been spent as planned. It will mainly be applied in the expansion of production capacities and upgrading of the production facilities.

OTHER INFORMATION

Corporate governance practices

The Company places high value on 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. On 1 April 2012, the Code on Corporate Governance Practices ("**Former CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") was amended and renamed as Corporate Governance Code and Corporate Governance Report ("**New CG Code**"). The Company has adopted the code provisions and certain recommended best practices as set out in the New CG Code as the code of the Company in substitution for and to the exclusion of the Former CG Code with effect from 27 March 2012. 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. During the six months ended 30 June 2012, the Company has complied with the code provisions (the "**Code Provisions**") set out in both the Former CG Code and the New CG 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 should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

At present, the Company does not have any officer with the title of chief executive. The duties of a chief executive are undertaken by Mr. Wong Kin Ling, chairman of the Board. Although this deviates from the requirement under 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 its 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.

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 during the six months ended 30 June 2012.

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

As at 30 June 2012, 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 ("**Global Wisdom**") 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.

Directors' rights to acquire shares or debentures

Save as otherwise disclosed in this interim report, at no time during the six months ended 30 June 2012 and up to the date of this interim 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 30 June 2012, 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(2)	Beneficial owner	241,000,000(L)	63.42%
Mr. Ho Kin	Beneficial owner	23,000,000(L)	6.05%

Notes:

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

(2) The issued shares of Global Wisdom 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.

Share option scheme

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 Appendix V to the prospectus of the Company dated 14 November 2011) 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 30 June 2012, no option has been granted under the Share Option Scheme.

Audit Committee and review of financial statements

The audit committee ("**Audit Committee**") was established on 19 August 2011 with its 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 the external auditors; monitoring the integrity of the financial statements, the annual reports and accounts, half-year reports 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 comprises Ms. Tay Sheve Li, Mr. Wang Jin Tang and Dr. Chan Ah Pun, who are the independent non-executive Directors. The Audit Committee is chaired by Ms. Tay Sheve Li.

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2012.

The Audit Committee has reviewed with the management in relation to the accounting principles and practices adopted by the Group, and discussed and reviewed the adequacy and effectiveness of the auditing, internal controls and financial reporting systems of the Group.

Remuneration Committee

The remuneration committee (the "**Remuneration Committee**") of the Company was established on 19 August 2011 with its written terms of reference in compliance with the Listing Rules. The Remuneration Committee is responsible for making recommendations to the Board regarding the compensation of the Directors. In addition, the Remuneration Committee conducts reviews of the performance, and determines the compensation structure of senior management of the Group. 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.

Nomination Committee

The nomination committee (the "**Nomination Committee**") of the Company was established on 27 March 2012 with its written terms of reference in compliance with the Listing Rules. The Nomination Committee is responsible for making recommendations to the Board regarding candidates to fill vacancies on the Board. The Nomination Committee comprises two independent non-executive Directors, Dr. Chan Ah Pun and Ms. Tay Sheve Li, and one executive Director, Mr. Wong Kin Ling. The Nomination Committee is chaired by Dr. Chan Ah Pun.

Changes of information in respect of Directors

In the six months ended 30 June 2012 and up to the date of this interim report, there were no changes to information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules, where applicable.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended 30 June	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Revenue	*3*	**196,237**	140,158
Cost of sales		**(145,333)**	(93,516)
Gross profit		**50,904**	46,642
Other income and gains	*4*	**1,034**	110
Selling and distribution expenses		**(4,291)**	(3,973)
Share-based payment	*15*	**—**	(5,800)
Administrative expenses		**(23,500)**	(23,536)
Finance costs	*5*	**(2,201)**	(2,777)
Profit before tax		**21,946**	10,666
Income tax expense	*6*	**(6,748)**	(6,549)
Profit for the period	*7*	**15,198**	4,117
Other comprehensive (expense) income for the period:			
Exchange differences arising on translation of foreign operations		**(95)**	70
Total comprehensive income for the period		**15,103**	4,187
Earnings per share:			
— Basic and diluted (RMB)	*9*	**0.04**	0.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*10*	**142,556**	128,786
Prepaid lease payments		**12,870**	13,019
Deposits paid to acquire non-current assets		**2,069**	2,190
Prepayment		**150**	150
Deferred tax assets		**1,586**	1,653
		159,231	145,798
Current assets			
Inventories		**90,495**	62,385
Trade and bills receivables	*11*	**63,719**	35,130
Prepayments and other receivables		**24,631**	18,149
Prepaid lease payments		**297**	297
Restricted bank deposits		**19,490**	8,700
Cash and bank balances		**57,697**	63,744
		256,329	188,405
Current liabilities			
Trade and bills payables	*12*	**82,576**	43,881
Accruals and other payables		**13,736**	17,098
Advance from customers		**4,471**	1,673
Interest-bearing borrowings	*13*	**91,456**	62,654
Income tax payable		**5,682**	6,361
		197,921	131,667
Net current assets		**58,408**	56,738
Total assets less current liabilities		**217,639**	202,536
Non-current liability			
Interest-bearing borrowings	*13*	**6,000**	6,000
Net assets		**211,639**	196,536
Capital and reserves			
Share capital	*14*	**46,938**	46,938
Reserves		**164,701**	149,598
Total equity		**211,639**	196,536

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	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 2012 (audited)	**46,938**	**24,264**	**2,487**	**117,130**	**(83)**	**5,800**	**196,536**
Profit for the period	**—**	**—**	**—**	**15,198**	**—**	**—**	**15,198**
Other comprehensive income for the period:							
Exchange differences arising on translation of foreign operations	**—**	**—**	**(95)**	**—**	**—**	**—**	**(95)**
Total comprehensive income for the period	**—**	**—**	**(95)**	**15,198**	**—**	**—**	**15,103**
As at 30 June 2012 (unaudited)	**46,938**	**24,264**	**2,392**	**132,328**	**(83)**	**5,800**	**211,639**

FOR THE SIX MONTHS ENDED 30 JUNE 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 2011 (audited)	—	18,451	2,347	93,759	—	—	114,557
Profit for the period	—	—	—	4,117	—	—	4,117
Other comprehensive income for the period:							
Exchange differences arising on translation of foreign operations	—	—	70	—	—	—	70
Total comprehensive income for the period	—	—	70	4,117	—	—	4,187
Issue of new shares upon reorganisation	83	—	—	—	(83)	—	—
Recognition of share-based payment *(Note 15)*	—	—	—	—	—	5,800	5,800
Appropriations to statutory reserve	—	7	—	(7)	—	—	—
As at 30 June 2011 (audited)	83	18,458	2,417	97,869	(83)	5,800	124,544

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2012

Notes:

(a) Statutory Reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after tax of the Group's subsidiaries in the PRC. 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 15.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash generated from (used in) operations	**6,981**	(5,257)
Income tax paid	**(7,360)**	(6,378)
Net cash used in operating activities	**(379)**	(11,635)
Net cash used in investing activities	**(31,759)**	(21,815)
Net cash generated from financing activities	**26,186**	40,583
Net (decrease) increase in cash and cash equivalents	**(5,952)**	7,133
Cash and cash equivalents at 1 January	**63,744**	9,454
Effect of foreign exchange rate changes	**(95)**	78
Cash and cash equivalents at 30 June, represented by cash and bank balances	**57,697**	16,665

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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) on 8 December 2010. The Company was listed on the Main Board of the Stock Exchange on 24 November 2011. The address of the registered office is located at P.O. Box 3340, Road Town, Tortola, BVI and its principal place of business in Hong Kong is located at Units 1108-1109, 11/F, Tower II, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

The principal activities of the Group are manufacturing of knitted fabrics and innerwear. The ultimate holding company of the Company is Global Wisdom, a limited liability company incorporated in BVI.

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

The condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the HKICPA.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

Amendments to HKFRS	Annual Improvement 2009-2011 Cycle[2]
Amendments to HKFRS 1	Government Loans[2]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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.

The Directors 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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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 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. PRINCIPAL ACCOUNTING POLICIES *(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 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 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. REVENUE AND 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

3. REVENUE AND SEGMENT INFORMATION *(continued)*

The following tables present revenue, profit and expenditure information for the Group's reportable segments for the six months ended 30 June 2012 and 2011.

	Six months ended 30 June 2012		
	Innerwear products *RMB'000* **(Unaudited)**	**Knitted fabrics** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Revenue			
External sales	**149,764**	**46,473**	**196,237**
Inter-segment revenue	**42,958**	**54,628**	**97,586**
Elimination	**(42,958)**	**(54,628)**	**(97,586)**
Group's revenue	**149,764**	**46,473**	**196,237**
Segment profit	**20,809**	**7,232**	**28,041**
Other income			**187**
Finance costs			**(2,201)**
Unallocated head office and corporate expenses			**(4,081)**
Profit before tax			**21,946**

	Six months ended 30 June 2011		
	Innerwear products *RMB'000* (Audited)	Knitted fabrics *RMB'000* (Audited)	Total *RMB'000* (Audited)
Revenue			
External sales	94,213	45,945	140,158
Inter-segment revenue	19,441	41,796	61,237
Elimination	(19,441)	(41,796)	(61,237)
Group's revenue	94,213	45,945	140,158
Segment profit	9,152	9,750	18,902
Other income			73
Finance costs			(2,777)
Unallocated head office and corporate expenses			(5,532)
Profit before tax			10,666

3. REVENUE AND SEGMENT INFORMATION *(continued)*

The following is an analysis of the Group's assets by operating segments:

	30 June 2012 *RMB'000* (Unaudited)	31 December 2011 *RMB'000* (Audited)
Innerwear products	**177,371**	150,516
Knitted fabrics	**158,077**	108,502
Unallocated assets	**80,112**	75,185
Total assets	**415,560**	334,203

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2012 *RMB'000* (Unaudited)	2011 *RMB'000* (Audited)
Interest income	**184**	73
Sales of scrap material	**263**	—
Gain on disposal of property, plant and equipment	**33**	37
Waiver of trade and other payables	**400**	—
Others	**154**	—
	1,034	110

5. FINANCE COSTS

	Six months ended 30 June	
	2012 *RMB'000* (Unaudited)	2011 *RMB'000* (Audited)
Interest on bank loans wholly repayable within five years	**2,616**	2,633
Interest on other loans wholly repayable within five years	**—**	483
	2,616	3,116
Less: amounts capitalised in the cost of qualifying assets	**(415)**	(339)
	2,201	2,777

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax:		
— PRC Enterprise Income Tax	**6,681**	7,330
Deferred tax	**67**	(781)
	6,748	6,549

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit for the period has been arrived at after charging (crediting):		
Salaries and other benefits	33,763	24,450
Share-based payment	—	5,800
Contributions to retirement benefit scheme	1,428	1,310
Total staff costs (including directors' emoluments)	35,191	31,560
Auditors' remuneration	209	815
Cost of inventories recognised as an expense	145,333	93,516
Amortisation of prepaid lease payments	149	149
Depreciation of property, plant and equipment	7,953	6,094
Exchange difference, net	117	1,017
Waiver of trade and other payables	(400)	—
Gain on disposal of property, plant and equipment	(33)	(37)
Operating lease rentals in respect of rented premises	514	299

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The Directors do not recommend the payment of an interim dividend.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2012 is based on the profit attributable to owners of the Company of approximately RMB15,198,000 (six months ended 30 June 2011: approximately RMB4,117,000) and the weighted average of 380,000,000 ordinary shares in issue during the six months ended 30 June 2012.

The weighted average number of shares in issue during the six months ended 30 June 2011 represented 300,000,000 ordinary shares in issue before the listing of shares of the Company on the Stock Exchange, as if such shares had been outstanding during the entire period of 2011.

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary share outstanding during the six months ended 30 June 2012 and 2011.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group disposed of certain plant and equipment with an aggregate carrying amount of approximately RMB46,000 (six months ended 30 June 2011: approximately RMB48,000), resulting in a net gain on disposal of approximately RMB33,000 (six months ended 30 June 2011: net gain of approximately RMB37,000).

During the six months ended 30 June 2012, the Group acquired approximately RMB21,769,000 (six months ended 30 June 2011: approximately RMB6,075,000) of property, plant and equipment.

11. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period of 30 to 60 days to its trade customers. The aging analysis of the Group's trade receivables net of allowance for doubtful debts, based on the invoice date at the end of the reporting period, is presented as follows:

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
0 — 30 days	**55,022**	23,885
31 — 60 days	**5,500**	9,467
61 — 90 days	**1,616**	989
Over 90 days	**1,581**	789
	63,719	35,130

12. 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 aging analysis of trade payables, based on the invoice date at the end of the reporting period, is presented as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
0 — 30 days	**50,547**	27,875
31 — 90 days	**25,042**	8,818
91 — 180 days	**4,690**	4,601
Over 180 days	**2,297**	2,587
	82,576	43,881

13. INTEREST-BEARING BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to approximately RMB50,000,000 (six months ended 30 June 2011: approximately RMB63,255,000) and repaid the bank loans amounting to approximately RMB21,198,000 (six months ended 30 June 2011: approximately RMB18,022,000).

14. SHARE CAPITAL

Authorised:

As at 30 June 2012 and 31 December 2011, the Company was authorised to issue a maximum of 1,000,000,000 shares with no par value.

Issued and fully paid:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
380,000,000 ordinary shares	**46,938**	46,938

15. 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 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 six months ended 30 June 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 the Share Option Scheme for the primary purpose of providing incentives to directors, eligible employees and other selected participants and will expire on 18 August 2021. No share option was granted under the Share Option Scheme during the six months ended 30 June 2012.

16. CAPITAL COMMITMENTS

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Amount contracted for but not provided in respect of acquisition of property, plant and equipment	**9,119**	10,000

17. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure bills payables to suppliers and bank loans of the Group at the end of the reporting period:

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Prepaid lease payments	**11,550**	13,316
Buildings	**31,176**	35,671
Machinery	**11,632**	12,427
Restricted bank deposits	**19,490**	8,700
Trade receivables	**—**	21,499
	73,848	91,613

18. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

Name of party	Relationship
Shanghai Guang Yu Textiles Co. Ltd (上海廣裕紡織品有限公司) ("**Guang Yu**") *(Notes 1 and 2)*	Under significant influence of Mr. Wei Jin Long who is a senior executive of the Group and became the Director on 15 August 2011
Mr. Wong Kin Ling and Ms. Hung Kin	Controlling shareholders and the Directors
Mr. Wang Shao Hua and Mr. Wei Jin Long	Senior executives of the Group and became the Directors on 15 August 2011

Notes:

1) The English translation of the company name is for reference only. The official name of this entity is 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.

(i) Transactions with related parties:

Name of party	Nature of transaction	Six months ended 30 June **2012** ***RMB'000*** **(Unaudited)**	2011 *RMB'000* (Audited)
(a) Guang Yu	Sales of goods by the Group	—	277
	Purchase of goods by the Group	—	279
(b) Mr. Wong Kin Ling and Ms. Hung Kin	Bank loan guaranteed by Directors	—	9,246
(c) Mr. Wang Shao Hua and Mr. Wei Jin Long	Share-based payment *(Note 15)*	—	5,800

The Directors are of the opinion that the transactions (a) with the related party were conducted on normal commercial terms in the ordinary course of business.

Bank loan guaranteed by Directors stated in the transaction (b) was released before the Listing of the Company's shares on the Stock Exchange.

The Directors confirmed the transaction (c) concluded under mutually agreed terms.

18. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(ii) Key management compensation:

The remunerations of the Directors and other members of key management of the Group during the period are as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Short-term benefits	**2,684**	1,891
Post-employment benefits	**21**	13
Share-based payment	**—**	5,800
	2,705	7,704

The remuneration of Directors and key management is determined by the Board having regard to the performance of individuals and market trends.

19. EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2012 which would materially affect the Group's operating and financial performance as at the date of these unaudited condensed consolidated financial statements.

20. APPROVAL OF THE FINANCIAL STATEMENTS

These unaudited condensed consolidated financial statements were approved and authorised for issue by the Board on 23 August 2012.