2013 ANNUAL REPORT

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

2013 ANNUAL REPORT

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 MEMBERS

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

REMUNERATION COMMITTEE MEMBERS

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

NOMINATION COMMITTEE MEMBERS

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

COMPANY SECRETARY

Mr. Lee Yin Sing, *CPA*

AUDITORS

SHINEWING (HK) CPA Limited

LEGAL ADVISER

As to Hong Kong Law:

Cheung & Lee
in association with Locke Lord (HK) LLP

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 15/F
78 Hung To Road
Kwun Tong
Kowloon, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Zhucheng City
Shandong Province, 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
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China, Zhucheng sub-branch

LISTING 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 FIVE YEARS

	For the year ended 31 December/As at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Key Financial Information					
Revenue	**543,788**	475,764	416,547	378,289	194,912
Gross profit	**121,782**	116,091	127,506	105,645	67,416
Profit before tax	**44,358**	53,671	49,036	66,405	40,737
Profit for the year	**24,375**	35,490	29,184	53,471	31,612
Total comprehensive income for the year	**22,994**	35,347	29,324	53,666	31,446
Non-current assets	**218,868**	177,562	145,798	129,772	99,990
Current assets	**186,477**	155,369	188,405	143,659	90,299
Current liabilities	**155,977**	101,048	131,667	140,874	125,398
Net current assets (liabilities)	**30,500**	54,321	56,738	2,785	(35,099)
Total assets	**405,345**	332,931	334,203	273,431	190,289
Total assets less current liabilities	**249,368**	231,883	202,536	132,557	64,891
Total equity	**244,370**	231,883	196,536	114,557	60,891
Cash and cash equivalents	**30,949**	24,134	63,744	9,454	19,761
Key Financial Ratios					
Gross profit margin	**22.4%**	24.4%	30.6%	27.9%	34.6%
Net profit margin	**4.5%**	7.5%	7.0%	14.1%	16.2%
Gearing ratio[1]	**18.0%**	9.5%	20.5%	31.4%	32.7%
Current ratio	**1.2**	1.5	1.4	1.0	0.7
Trade receivables turnover days	**45**	38	39	33	20
Inventory turnover days	**48**	56	72	51	65

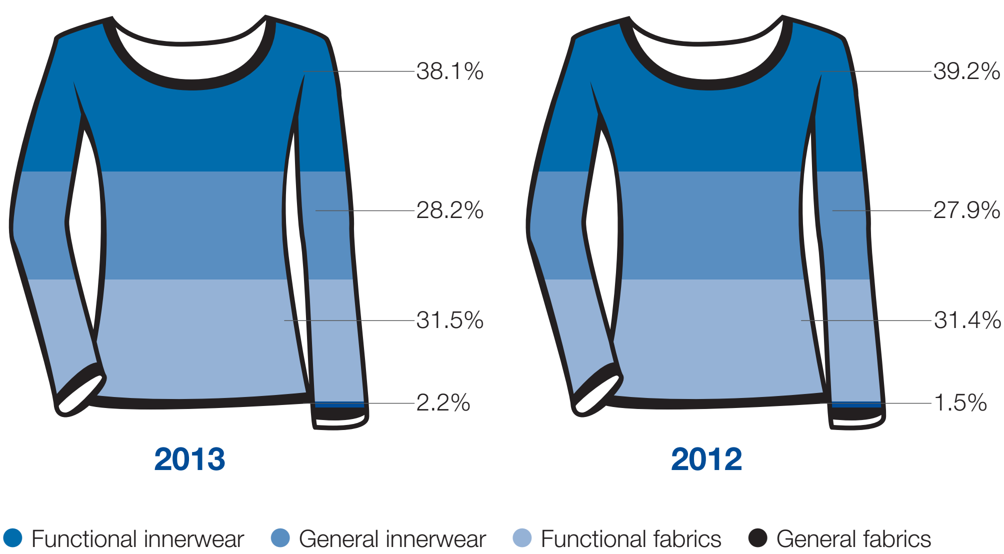
Note:

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

FINANCIAL HIGHLIGHTS

REVENUE OF THE GROUP ANALYSED BY PRODUCT CATEGORIES

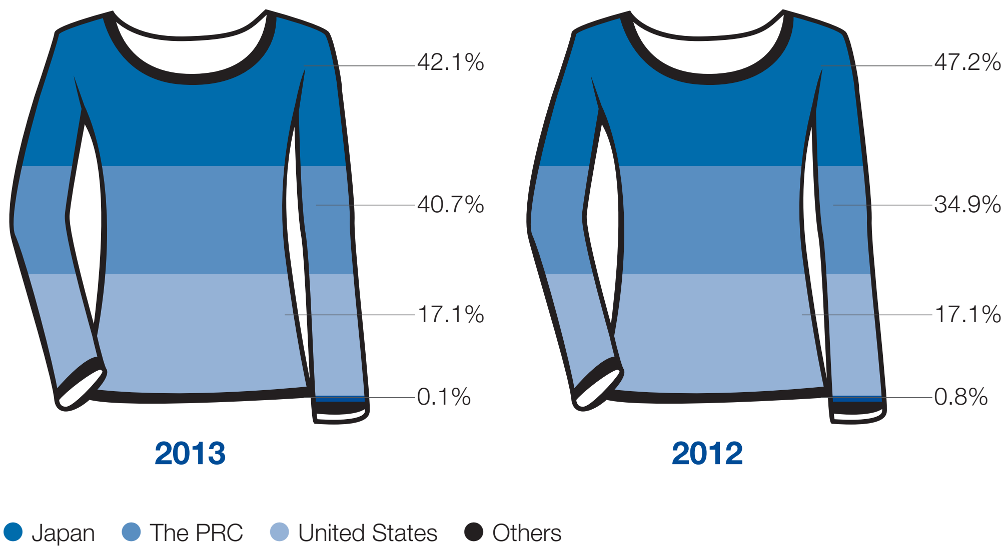
	For the year ended 31 December			
	2013		2012	
	RMB'000		RMB'000	
Revenue of the Group by products				
Fabrics products				
General fabrics	**11,877**	**2.2%**	7,001	1.5%
Functional fabrics	**171,191**	**31.5%**	149,612	31.4%
Sub-total	**183,068**	**33.7%**	156,613	32.9%
Innerwear products				
General innerwear	**153,514**	**28.2%**	132,769	27.9%
Functional innerwear	**207,206**	**38.1%**	186,382	39.2%
Sub-total	**360,720**	**66.3%**	319,151	67.1%
Total	**543,788**	**100%**	475,764	100%



FINANCIAL HIGHLIGHTS

REVENUE OF THE GROUP ANALYSED BY REGIONAL DISTRIBUTION

	For the year ended 31 December			
	2013		2012	
	RMB'000		RMB'000	
Revenue of the Group by regional distribution				
Japan	**229,182**	**42.1%**	224,747	47.2%
The PRC	**221,243**	**40.7%**	165,931	34.9%
United States	**93,093**	**17.1%**	81,409	17.1%
Others	**270**	**0.1%**	3,677	0.8%
Total	**543,788**	**100%**	475,764	100%



CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board ("**Board**") of directors (the "**Directors**") of Grand Concord International Holdings Limited (the "**Company**", hereinafter together with its subsidiaries referred to as the "**Group**"), I would like to present to all shareholders the audited consolidated results of the Group for the year ended 31 December 2013 (the "**year under review**").

INDUSTRY CHALLENGES

In 2013, China's textile industry faced various hardships in its development due to external impacts such as slow growth in the international market's demand, the further widened spread between the domestic and international cotton prices and soaring production costs. With the implementation of innovative macro-control measures in China, China's market demand for high-end apparel products is dampened, and so is the demand for high-end fabrics, which resulting in rising global inventories. Meanwhile, the growth rate of China's textile industry production was slower in 2013 than that of 2012. According to the statistics of National Bureau of Statistics of China, the added value of the textile industry production in 2013 increased by only 8.7% over 2012, representing a fall of 3.5 percentage points compared to 2012. The slowdown in growth of the textile industry production was mainly attributable to the decline in output growth of major categories of products, such as fiber, yarn, cloth and apparel, compared to 2012. As a result, given the relatively weak consumer sentiment in China, it is expected that in the next few years, the consumer goods market will grow at a rate far lagging behind the high speed growth recorded as before. However, we believe that moderate regulation will lay a better foundation for a long-term healthy growth of the consumer goods industry in China.

The international textile market demand maintained a slow growth. In 2013, the textile and apparel imports into EU increased by only 0.9%, while the imports into Japan decreased by 1.3%. As the competition in the international market was increasingly intense and China's textile industry was affected by higher prices of raw materials, labors and other production costs, the proportion of imports of textile and apparel into EU, the United States and Japan to total imports decreased by 1.4%, 0.4% and 2%, respectively. However, China's textile and apparel exports still recorded a rise in 2013 as a whole. The exports of China's textile products reached USD113.85 billion, representing a year-on-year growth of 11.2%; and the apparel exports reached USD178.22 billion, representing a year-on-year growth of 11.3%. Both growth rates were higher than the respective growth rates of 7.9% and 6.8% recorded in the same period of last year.

CHAIRMAN'S STATEMENT

During the year under review, the Group made best preparation to meet the future growth in demand for functional fabrics and functional underwear. During the year, the Group continued to optimise its production model and invested in various production machines, resulting in a substantial increase in fixed costs of production. However, the Group believes that such investment will help to strengthen the Group's production capacity and product quality advantages in related fields. During the year under review, as the Group was under higher cost pressure due to the rising labour costs, the Group's profit attributable to shareholders decreased by approximately 31.3% to approximately RMB24.4 million even though the Group recorded turnover for the year of approximately RMB543.8 million, representing an increase of approximately 14.3% compared to 2012. In addition, the depreciation of Japanese yen and USD also affected the selling prices and gross profit margin of the products of the Group. Given the challenges in the market, the Group reduced the unit price of some merchandise exports in order to retain valuable customers. However, during the year under review, the Group's orders from Japan, the United States and China maintained stable growth.

SEIZE THE MARKET OF FUNCTIONAL FABRICS

Confronted with challenges in 2013, the Group paid more attention to customers' demand and worked together with customers and partners to research and develop products for specific demands in the market, and further consolidated the existing close relationship, strive to gain more customers and widen its extensive market network. Therefore, the Group committed itself to strengthening various cost control measures despite the higher labour costs in mainland China, and continued to retain the support of long-term customers with a reasonable price level. For instance, during the year under review, the Group made significant investment in and commenced the operation of environment-friendly manufacturing machines with advanced dyeing and finishing technology to further improve the efficiency of the production facilities, enhance production automation and minimise the need for labour.

During the year under review, the Group was committed to developing new products of functional fabrics. As of 31 December 2013, the Group had successfully developed more than 1,000 types of functional fabrics with various components, design and specifications. In order to meet the diverse demand of today's trend for multi-functional fabrics and their wider range of applications, the Group developed a diversified product mix and was able to enrich the types of its innerwear products by upgrading their fabric offerings. Most of the Group's functional fabrics are provided to a number of well-known brands over the world. Meanwhile, the Group also manufactures innerwear products for major international brands on an OEM basis. During the year under review, the Group's annual fabric production capacity was approximately 4,600 tons and annual innerwear production capacity was approximately 20 million pieces, with a capacity utilisation rate of over 80%.

With broad management experience and sound business reputation, the Group has kept close contact with suppliers from different areas. The Group has maintained good partnerships with their sales teams and R&D teams. The Group believes that such strategic partnerships will help the Group not only further expand into the mainland market, but also consolidate its market position and promote its corporate image. In addition, the production base has internal functional fabric R&D, design and testing departments, and is equipped with cutting-edge manufacturing equipment from all over the world, including the production facilities from Germany, Italy and Japan, thereby ensuring an effective control over quality and product upgrade, and ultimately enhancing our products' competitiveness.

CHAIRMAN'S STATEMENT

CONFIDENCE AND PROSPECTS

Looking forward, the Group will continue to focus on production and sales of functional fabrics and functional underwear. Due to the increasing stress at work and from our daily life and the pursuit for a more healthy and eco-friendly life, the people around the world, especially mainland Chinese residents, have been increasingly involved in leisure and outdoor sports, which has significantly driven up the production and sales of functional fabrics in the world. Currently, the global market of functional fabrics achieved annual sales of US$50.0 billion, and the future sales of the functional textile market will grow year by year; on the other hand, the domestic demand for functional textiles also reached more than RMB50.0 billion. Compared to other countries, China's functional textile market still has much room for development. Although the consumption growth momentum is weakened under the influence of new macro-control measures, we are confident that the demand for healthy living and quality consumer goods will become an important impetus to drive consumers to upgrade their consumption and to bring a good operating environment for the Group to further expand the domestic market in the future.

With the bolstering market demand for such products in the future, it is believed that the Group will enjoy a greater bargaining power and the products of the Group will have room for a price rise in the future. In addition, the Group has strengthened automated and intelligent production process by increasing fixed investment in order to improve productivity, reduce cost pressure and overcome external hurdles such as slower growth of external demand, further widened spread between domestic and international cotton prices and rising production costs. The Group's existing production base situated in Zhucheng City, Shandong Province, commands convenient transportation, and is close to the Group's major Japanese customers, which effectively promotes communications with customers and reduce logistics costs. Apart from that, the Group has reserved sufficient land for future expansion so as to increase our capacity in handling the increasing orders especially from overseas.

For overseas markets, apart from Japan, the Group continues to focus on two major markets, the United States and Europe. With the solid foundation of our premium product quality and loyal customer base, the Group will further strengthen its marketing capabilities, production capacity and product quality in order to undertake more overseas orders after production capacity is enhanced.

In 2014, it is expected that China's textile industry will continue to maintain slow growth as affected by the slowdown in economic growth. The Chinese government is still cautious about the development of the industry and expect stringent regulation on energy saving and emission reduction, in order to reduce huge energy consumption, which has posed a core impact on China's textile industry in the future. For the functional fabrics market, overseas market demand is still more vigorous than the domestic market demand. And domestically, the demand for functional fabrics will benefit from the accelerating rural reform and urbanization. Besides further consolidating our foundation, the Group will gather strength in establishing our own apparel brand, open up more customers and strengthen market awareness in order to gain a larger market share.

CHAIRMAN'S STATEMENT

The Company is a high-end weaving enterprise with an emphasis on "functionalities". It is expected that the concept of "functionalities" will be the highlight of growth in China's textile industry in the future. With the change of customers' needs arising from the change of personal experience, functional fabrics and products for satisfying specific demands will emerge accordingly.

On behalf of the Board, I hereby express my heartfelt thanks to the management and staff of the Group for the tremendous efforts they have paid over the past year. The Group's success and future development rely on the long-term support from all our staff, customers and shareholders of the Company. The Company will strive for better results and bring more attractive returns to our shareholders.

Wong Kin Ling
Chairman

Hong Kong, 25 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year 2013 is a tough year for China's textile industry. According to the statistics compiled by the National Bureau of Statistics of China, the growth of production of the textile industry in 2013 increased by only 8.7% over last year, representing a fall of 3.5 percentage points as compared to 2012. The slowdown in growth of production of the textile industry was attributable to the decline in growth of major textile categories, such as fiber, yarn, cloth and apparel, the output growth of which declined as compared to 2012.

The competitiveness of China textile enterprises in the global market was comparatively weak given the widening cotton price spread within and outside China as well as the continuously rising labour costs. In addition, under the new macro-control policies implemented by the Chinese government, China's economy grew by only 7.7% in 2013, much lower than the extensively high economic growth recorded as before, thereby seriously affecting the performance of the Chinese domestic market. On the other hand, the external economic environment rendered that no vigorous rebound in the industry would occur. As the EU and Japanese retail markets continued to shrink, China's textile industry was still facing the negative impact of weak economic recovery and insufficient market demand. At the same time, the rising labour costs in China and the severe competition from Southeast Asia and other emerging exporting countries, such as Vietnam, Cambodia, Bangladesh and Indonesia, imposed big challenges to the textile exports market in China. The appreciation of RMB as well as the depreciation of Japanese yen and USD severely weakened the profitability of the Group due to its heavy reliance on exports.

In 2013, China's textile and apparel exports still recorded growth. China's textile exports amounted to USD113.85 billion, representing a year-on-year growth of 11.2%; and apparel exports amounted to USD178.22 billion, representing a year-on-year growth of 11.3%, respectively. Both growth rates were higher than the respective growth rate of 7.9% and 6.8% recorded during the same period of last year. In the year under review, the Group was receiving stable orders from customers in Japan, the United States and China. Japanese yen depreciation undermined the price competitiveness of the Group in Japan, one of its major export markets. Given the challenges in the market, the Group has reduced the unit price of some merchandise exports in order to retain valuable customers. The Group's revenue from sales of knitted fabrics and innerwear products amounted to approximately RMB183.1 million and RMB360.7 million respectively, representing a year-on-year growth of approximately 16.9% and 13.0%, fully reflecting the support of the customers from various markets to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

To capture the market opportunities and provide customers with various product solutions in efficient and flexible manner. During the year, the Group continued to invest in environment friendly and technologically advanced production equipment, so as to enhance efficient automation production and improve the division of labour in different production processes, thereby lessening the pressure from the increasing labour cost, and laying a strong production foundation for the Group to further develop the European and the United States export markets.

Encouragingly, relying on our solid and established customer base, the good reputation in the industry and our innovation capability in functional fabrics and innerwear, the Group successfully absorbed lots of orders from the United States and Japan during the year under review, which contributed to an increase in both sales volume and sales amount during the year under review despite a difficult operating environment.

Driven by the demand for "Home ECO" (home environment protection) merchandise which was prevalent in Japan, the Group's functional fabrics and functional innerwear, its major products, successfully recorded steady growth during the year under review. Since some major Japanese brands has been promoting functional thermal innerwear at reasonable prices, lots of mass market brands revved up to launch corresponding products to meet the increasing market demand for various functional products, which include those warming and lightweight for the autumn and winter and those cool sense, moisture-absorbing and perspiration-wicking for the spring and summer. Various innerwear styles with emphasis on comfortability and functionality have been in favour with consumers.

With the increasing awareness of environmental protection, the world has begun to use eco-friendly and healthy "green" functional fabrics to manufacture various clothing, especially innerwear, in order to reduce the impact on human health. As a result, we believe functional fabrics and functional innerwear will have a lot of room for stable growth.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2013, with corresponding comparative figures for the year ended 31 December 2012:

	Year ended 31 December			
	2013	**2013**	2012	2012
	RMB'000	**%**	RMB'000	%
Knitted fabrics				
General fabrics	**11,877**	**2.2**	7,001	1.5
Functional fabrics	**171,191**	**31.5**	149,612	31.4
Sub-total	**183,068**	**33.7**	156,613	32.9
Innerwear products				
General fabrics	**153,514**	**28.2**	132,769	27.9
Functional fabrics	**207,206**	**38.1**	186,382	39.2
Sub-total	**360,720**	**66.3**	319,151	67.1
Total	**543,788**	**100.0**	475,764	100.0

For the year ended 31 December 2013, the Group recorded a revenue of approximately RMB543.8 million (2012: RMB475.8 million), representing an increase of approximately RMB68 million, or approximately 14.3%. The sales volume of general fabrics, functional fabrics, general innerwear and functional innerwear for the year ended 31 December 2013 were approximately 200 tons, 2,176 tons, 11.4 million pieces and 14.8 million pieces respectively (2012: approximately 169 tons, 1,710 tons, 10.3 million pieces and 10.9 million pieces respectively). The growth in revenue was mainly due to the increase in production and sales volume in both general and functional fabrics and innerwear products. With the close business relationship with its customers and the improvement of its production capacity, the Group was able to receive more orders from the existing customers and develop new customers in the year under review.

Sales of innerwear products amounted to approximately RMB360.7 million (2012: RMB319.2 million), representing approximately 66.3% (2012: 67.1%) of the total revenue for the year ended 31 December 2013. The increase in sales of innerwear products in the amount of approximately RMB41.5 million or approximately 13.0% in 2013 was mainly due to increase in production capacity as well as production and sales volume as a result of the capital expenditure on production facilities of innerwear products of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales of knitted fabrics amounted to approximately RMB183.1 million (2012: RMB156.6 million), representing approximately 33.7% (2012: 32.9%) of the total revenue for the year ended 31 December 2013. The increase in sales of fabrics in the amount of approximately RMB26.5 million or approximately 16.9% in 2013 was mainly due to the increase in production volume as well as the sales volume in 2013 as a result of the increase in the production capacity in knitted fabrics of the Group.

Cost of sales

Cost of sales increased by approximately 17.3% from approximately RMB359.7 million for the year ended 31 December 2012 to approximately RMB422.0 million for the corresponding year ended in 2013. The increase primarily reflected the cost of raw materials, direct labour costs and subcontracting charges increased during the year ended 31 December 2013 as a result of the increase in sales volume in 2013. Meanwhile, the salary costs in China increased as compared to last year, resulting in the increase in sale and production cost.

Gross profit and gross profit margin

Gross profit increased by approximately RMB5.7 million, or approximately 4.9%, from approximately RMB116.1 million for the year ended 31 December 2012 to approximately RMB121.8 million for the corresponding year ended in 2013. The Group's gross profit margin decreased from approximately 24.4% for the year ended 31 December 2012 to approximately 22.4% for the corresponding year ended in 2013, mainly due to the reduction in unit selling prices of both functional and general knitted fabrics and innerwear products to retain valuable customers.

The Group's gross profit and gross profit margins by products for the year ended 31 December 2013, with corresponding comparative figures for the year ended 31 December 2012:

	Year ended 31 December			
	2013	**2013**	2012	2012
	Gross profit	**Gross profit margins**	Gross profit	Gross profit margins
	RMB'000	**%**	RMB'000	%
Knitted fabrics				
General fabrics	**1,620**	**13.6**	960	13.7
Functional fabrics	**42,790**	**25.0**	37,443	25.0
Sub-total	**44,410**		38,403	
Innerwear products				
General innerwear	**14,170**	**9.2**	16,238	12.2
Functional innerwear	**63,202**	**30.5**	61,450	33.0
Sub-total	**77,372**		77,688	
Total	**121,782**	**22.4**	116,091	24.4

MANAGEMENT DISCUSSION AND ANALYSIS

Other income and other gains

Other income and other gains amounted to approximately RMB3.3 million (2012: RMB1.2 million) for the year ended 31 December 2013 which were mainly interest income, sample sales income and government grants received. The increase in other income and other gains was mainly due to the increase in government grants received by the PRC subsidiaries in 2013 of approximately RMB1.6 million (2012: Nil).

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB8.6 million to approximately RMB22.8 million (2012: RMB14.2 million) for the year ended 31 December 2013, primarily due to the increase in sales volume and staff costs for the year. As the sales volume of knitted fabrics and innerwear products increased by approximately 26.5% and approximately 23.6%, respectively, the relevant transportation costs incurred for local and overseas delivery to customers increased.

Administrative expenses

Administrative expenses increased to approximately RMB54.6 million (2012: RMB45.9 million) for the year ended 31 December 2013. The increase in administrative expenses was mainly due to the increase in salaries and welfare of approximately RMB4.8 million for the administrative staff and increase in depreciation costs of approximately RMB1.4 million due to the expansion of the factories buildings of the Group. Moreover, an exchange loss of approximately RMB3.0 million (2012: RMB1.2 million) was recorded due to the weakened exchange rate of US dollar against Renminbi during the year ended 31 December 2013.

Finance costs

Finance costs slightly decreased to approximately RMB3.3 million (2012: RMB3.5 million) for the year ended 31 December 2013 primarily due to the Group's better management of the bank borrowings over the year, and certain interest on bank borrowings was capitalised in the cost of qualifying assets. Please refer to note 10 to the consolidated financial statements for details.

Profit before tax

The Group's profit before tax decreased to approximately RMB44.4 million (2012: RMB53.7 million) for the year ended 31 December 2013 primarily due to the increase in selling and distribution expenses and administrative expenses.

Income tax expense

Income tax expense increased to approximately RMB20.0 million (2012: RMB18.2 million). The Group's effective tax rate for the year ended 31 December 2013 was approximately 45.0%, as compared to approximately 33.9% for the corresponding year in 2012. The increase in effective tax rate was due to tax loss not recognised in the Group's subsidiaries for the year ended 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year and profit margin

The Group's profit for the year decreased by approximately RMB11.1 million, or approximately 31.3%, from approximately RMB35.5 million for the year ended 31 December 2012 to approximately RMB24.4 million for the corresponding year in 2013. Profit margin was approximately 4.5% for the year ended 31 December 2013 (2012: 7.5%) and the decrease in profit was mainly due to the increase in both selling and distribution expenses and administrative expenses.

Inventories

The inventory balances increased to approximately RMB62.8 million as at 31 December 2013 (2012: RMB47.5 million). As the sales and production volume in the year 2013 increased, the Group has retained more inventories as at 31 December 2013.

Meanwhile the average inventory turnover days decreased to approximately 48 days (2012: 56 days) for the year ended 31 December 2013, as the Group had better managed the production efficiency and delivery leadtime by investing in technologically advanced facilities to further simplify the production process.

Trade and bills receivables

Trade receivables increased to approximately RMB69.6 million (2012: RMB64.9 million) as at 31 December 2013, primarily due to an increase in the sales to domestic customers whose settlement periods are longer than those granted to Japanese and US customers.

The average trade receivables turnover days increased to approximately 45 days (2012: 38 days) for the year ended 31 December 2013 as the sales to domestic customers increased. The trade receivables turnover days still fall within the credit terms granted to the customers of the Group.

Trade and bills payables

Trade and bills payables increased to approximately RMB55.6 million (2012: RMB42.6 million) as at 31 December 2013. Increase in trade and bills payables was mainly due to the fact that the Group has retained more inventories as at 31 December 2013 which was mainly purchased in November and December of 2013, which had not yet fall due as at 31 December 2013.

The average turnover days for trade payables slightly decreased to approximately 42 days (2012: 44 days) for the year ended 31 December 2013 which were in line with the trade credit periods given by the suppliers of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2013, the Group's current ratio (calculated as current assets divided by current liabilities) was 1.20 (as at 31 December 2012: 1.54). As at 31 December 2013, the Group had cash and cash equivalents of approximately RMB30.9 million (as at 31 December 2012: RMB24.1 million) and short-term bank loans of approximately RMB67.8 million (as at 31 December 2012: RMB31.6 million). As at 31 December 2013, the Group's gearing ratio (calculated as 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) measured on the basis of total bank loans was approximately 18.0%, as compared to approximately 9.5% as at 31 December 2012.

As at 31 December 2013, the Group had no fixed rate bank loans (2012: RMB5 million) and variable rate bank loans of approximately RMB72.8 million (2012: RMB26.6 million). The effective interest rates on the Group's variable-rate bank borrowings ranged from 6.30% to 8.96% per annum as at 31 December 2013 (2012: fixed rate: 5.60% and variable-rate: 6.00% to 8.96% 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 risks relate primarily to its fixed-rate interest-bearing borrowings and the Group is also exposed to cash flow interest rate risks 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 historically 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 do not anticipate significant fluctuation in the interest rate on bank deposits. To mitigate the impact of interest rate fluctuations, the Group manage 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 2013, the Group had no material contingent liabilities.

Charges on group assets

As at 31 December 2013, the Group's bank loans were secured by the Group's machinery, buildings and land use rights of carrying amounts of approximately RMB13.3 million, RMB28.8 million and RMB12.7 million, respectively (as at 31 December 2012: RMB10.8 million, RMB22.5 million and RMB11.4 million, respectively). As at 31 December 2013, the Group also pledged its bank deposits of approximately RMB8.5 million (as at 31 December 2012: RMB3.8 million) to secure short-term bills payables.

HUMAN RESOURCES

As at 31 December 2013, the Group employed approximately 2,000 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 for the 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 a good relationship with its employees.

FINAL DIVIDEND

No payment of a final dividend for the year ended 31 December 2013 was recommended by the Board (2012: HK3.5 cents per share).

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not engage in any material acquisitions or disposals during the year ended 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

Looking forward, the Group will continue to expand its plants to increase production capacity, and commit itself to enhancing equipment, improving production automation and introducing more advanced production technology, in order to significantly maximise economic benefits through the enlargement of production scale. The Group wishes to gradually cultivate the Group's own apparel brand while consolidating its own foundation in order to achieve a breakthrough in performance.

In face of the ever-evolving innovations in the market of functional fabric products, in order to grasp the huge business opportunities in the textile and apparel production industry brought by the Chinese consumer market, the Group will further expand and seek breakthrough in performance in the China market by capitalising its leading research and development strengths in fabrics as well as its exclusive production and sales rights of international brands. Overseas market continues to be the core market of the Group. Currently, the Group's products are primarily exported to Japan and the United States. As the reputation of the Group's brand widely spreads across the world, it is expected that more new customers in existing and other overseas markets will be drawn. The Group will continue to maintain its sales to Japan and United States markets to ensure stable orders from customers.

The Group will continue to focus on production and sales of functional fabrics and functional innerwear products. With the increasing pressure on life and work and the pursuit for a healthy and environmental friendly lifestyle, more people around the world as well as residents in the mainland China keen to participate in leisure and outdoor sports, and thus drive the growth in production and sales of functional fabrics in the world. Compared to other countries, China's functional textile market still has much room for development. Although the consumption growth momentum weakened under the influence of new macro-control measures, we are confident that the demand for healthy living and quality consumer goods will become an important impetus to drive consumers to upgrade their consumption which will bring a bright environment for the Group to further expand the domestic market.

In order to fully exhibit the vertically-integrated operation advantages and to readily grasp market opportunities and maintain stable growth, the Group will continue to invest in advanced equipment and sophisticated technology to further improve production capacity and product quality, optimise production processes, increase production efficiency and reduce operating costs. The production capacity expansion will be conducted in line with the Group's development. The Group is looking forward to achieving significantly greater economies of scale brought by its expansion in the future.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. WONG Kin Ling (王建陵) aged 60, 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 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 Group, since their establishment. He is the spouse of Madam Hung Kin, also an executive Director.

Mr. Wong is a committee member of the 12th 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十二屆委員會委員). 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 Eleventh 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 60, is an 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 Group, since their establishment. She is the spouse of Mr. Wong Kin Ling, the chairman of the Company and an executive Director.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WANG Shao Hua (王韶華), aged 46, is an executive Director of the Company. Mr. Wang has over 22 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 has also been 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. WEI Jin Long (衛金龍), aged 42, is an executive Director of the Company. Prior to his joining our 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 10 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.

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Jin Tang (王金堂), aged 55, 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 22 years of experience in accounting and finance. He obtained a 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).

Ms. TAY Sheve Li (鄭雪莉), aged 41, has over 15 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. Ms. Tay has been appointed as an independent non-executive director of National United Resources Holdings Limited (formerly known as China Outdoor Media Group Limited) (stock code: 254) from November 2011 to January 2014 and the president of finance and capital management department in Centron Telecom International Holding Limited (stock code: 1155) from October 2010 to June 2011, both companies are listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**"), and an independent non-executive director of China 33 Media Group Limited (stock code: 8087) in September 2013, a company listed on the Growth Enterprise Market of the Stock Exchange.

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, the United Kingdom, in 1994 with a bachelor's degree in arts. In 2004, she obtained a master's degree in applied finance from the University of Western Sydney.

Dr. CHAN Ah Pun (陳亞彬), aged 38, 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Lee Yin Sing (李彥昇), aged 33, is the chief financial officer and company secretary of the Company. Mr. Lee is responsible for overseeing the Group's financial planning and management. Mr. Lee has over 10 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 47, 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 44, 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 41, 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 on 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 2013.

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. The Board has adopted the code provisions of the Corporate Governance Code (the "**Code Provision(s)**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). 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 year ended 31 December 2013, the Company has complied with the Code Provisions except for the deviation set out below:

Code Provision A.2.1

Code Provision A.2.1 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. Although this deviates from the practice under Code Provision A.2.1, where it provides that 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 chairman so that 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 of the Board. 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.

Code Provision A.6.7

Under Code Provision A.6.7, independent non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Wang Jin Tang, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 27 May 2013 as required by Code Provision A.6.7 as he had other important business engagements at the relevant time.

BOARD

Responsibilities

The Board is responsible for leading and controlling the Company and overseeing the Group's businesses, strategic decisions and financial performance as well as its overall corporate governance functions. The management is delegated the authority and responsibility by the Board for the management of the Group under the leadership of the chief executive officer. 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 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 judgment to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive Directors make various contributions to the effective direction of the Company.

The Board is also characterised by significant diversity whether considered on terms of gender, professional backgrounds and skills. The Board formalised its existing diversity through the introduction of a board diversity policy, which is expected to bring further diversity in respect of business and financial experience to the Board for contributing to the effective direction of the Board.

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.

During the year ended 31 December 2013 and up to the date of this report, 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.

CORPORATE GOVERNANCE REPORT

Training for Directors

Every newly appointed Director shall receive an information package from the Company on the first occasion of his 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.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, Directors are encouraged to enroll and attend in a wide range of professional development courses and seminars relating to the Listing Rules and corporate governance practices organized by professional bodies so that they can continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written training materials to develop and refresh their professional skills.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the Code Provisions on continuous professional development during the year ended 31 December 2013:

	Corporate governance practices, regulatory and related topics		Business, management and related topics	
	Circulated Materials	Attended Seminars/ Briefing	Circulated Materials	Attended Seminars/ Briefing
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	✓	✓	✓	✓

CORPORATE GOVERNANCE REPORT

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 each member of the Board is set out in the section headed "Board Committees".

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 expense.

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.

Directors and officers liability insurance

Liability insurance for Directors and senior management of the Company was arranged by the Company with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

CORPORATE GOVERNANCE REPORT

Corporate governance functions

The Board has adopted the terms of reference on corporate governance functions. The terms of reference of the Board in respect of corporate governance function are summarised as follows:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices to ensure compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Code Provisions and its disclosure requirements in the Corporate Governance Report.

The work performed by the Board on corporate governance functions during the year ended 31 December 2013 included developing and reviewing the Company's policies on corporate governance and making recommendations.

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 year ended 31 December 2013.

CORPORATE GOVERNANCE REPORT

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.

The individual attendance records of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and general meeting during the year ended 31 December 2013 are set out below:

	Number of meetings attended/held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr Wong Kin Ling	4/4	–	1/1	1/1	1/1
Madam Hung Kin	4/4	–	–	–	–/1
Mr. Wang Shao Hua	4/4	–	–	–	–/1
Mr. Wei Jin Long	4/4	–	–	–	–/1
Independent non-executive Directors					
Mr. Wang Jin Tang	4/4	2/2	1/1	–	–/1
Ms. Tay Sheve Li	4/4	2/2	1/1	1/1	1/1
Dr. Chan Ah Pun	4/4	2/2	1/1	1/1	1/1

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, 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 financial statements and annual report for 2013 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 the committee meeting held on 25 March 2014, 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 2 times during the year ended 31 December 2013, in which the Audit Committee members reviewed the Company's internal controls and risk management process, financial reporting and compliance procedures and 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 each member of the Audit Committee is set out in the section headed "Board Committees".

Remuneration Committee

The Remuneration Committee comprises three independent non-executive Directors, namely 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 1 time during the year ended 31 December 2013, in 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 2013 and made recommendation to the Board to approve the proposals on the fees of the independent non-executive Directors. The attendance record of each member of the Remuneration Committee is set out in the section headed "Board Committees".

Nomination Committee

The Nomination Committee comprises two independent non-executive Directors, namely, 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.

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 suitable 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.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2013, 1 meeting was held by the Nomination Committee. The major work performed by the Nomination Committee during the year included reviewing the Nomination Committee's terms of reference, reviewing the policy relating to term of appointment of the independent non-executive Directors, and recommending to the Board for approval of the continuation of the independent non-executive directors' term of appointment. The attendance record of each member of the Nomination Committee is set out in the section headed "Board Committees".

Company Secretary

The company secretary of the Company (the "**Company Secretary**"), namely Mr. Lee Yin Sing, is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on governance matters. During the year ended 31 December 2013, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training. The details of the Company Secretary are set out under the section headed "Biographies of Directors and Senior Management" of this annual report.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The senior management has provided such 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.

The Board is responsible for presenting a clear and balanced view of the Company's annual and interim reports, inside information announcements, disclosures required under the Listing Rules, and other regulatory requirements. The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year 2013.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the external auditors of the Company in respect of statutory audit service and agreed-upon procedures were approximately RMB616,000 and RMB188,000, 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 inside information, the Group conducts its affairs with close attention to the inside information provisions under the Securities and Futures Ordinance and the Listing Rules, and has also implemented guidelines and procedures for dealings in its securities by the Directors.

During the year 2013, 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.

CORPORATE GOVERNANCE REPORT

COMMUNICATIONS 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, the Nomination 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.

Shareholders' Rights

Convening an extraordinary general meeting

Pursuant to article 10.3 of the articles of association of the Company, extraordinary general meetings of the Company (the "**EGM(s)**") shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the nominal value of the issued shares in the Company which carries the right of voting at general meetings of the Company. The EGMs may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the nominal value of the issued shares in the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionists(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the EGM in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed the them by the Company.

CORPORATE GOVERNANCE REPORT

Putting enquiries to the Board

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the Company Secretary at the Company's head office and principal place of business in Hong Kong or the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at ir@grandconcord.com.

Shareholders are reminded to lodge their questions together with their detailed contact information in order to receive prompt response from the Company if it deems such response to be appropriate.

Putting forward proposals at Shareholders' meeting

Shareholders can put forward proposed resolution at a general meeting of the Company by lodging a written notice of his/her/its proposal ("**proposed resolution**") with his/her/its detailed contact information via email at the email address of the Company at ir@grandconcord.com

The identity of the shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a shareholder, the Board will determine in its sole discretion whether the proposed resolution may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period shall not be less than 21 days in writing if the proposed resolution requires approval by way of an ordinary resolution in an annual general meeting or a special resolution of the Company; and not less than 14 days in writing if the proposed resolution requires approval in meeting other than an annual general meeting or approval by way of a special resolution of the Company.

Shareholders may also lodge their proposed resolutions with the Company through the following means:

Hotline no.: 2891 9882

By post: Unit B, 15/F, 78 Hung To Road Kwun Tong, Kowloon, Hong Kong

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

CORPORATE INFORMATION

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.

PRINCIPAL ACTIVITIES

The principal activities of the Group are manufacturing of knitted fabrics and innerwear. Details of the principal activities of the Company's principal subsidiaries are set out in note 36 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2013 and its state of affairs as at that date are set out in the consolidated financial statements on pages 46 to 111.

No interim dividend was paid during the year. The Directors did not recommend payment of a final dividend for the year ended 31 December 2013.

USE OF PROCEEDS FROM LISTING

Net proceeds of approximately HKD38.4 million were raised from the initial public offering of the Company's shares in November 2011. The Company currently does not have any intention to change its plan for the use of proceeds as stated in the prospectus of the Company dated 14 November 2011. Up to the date of this report, out of the total net proceeds from the listing, approximately HKD19.2 million was utilised for upgrading and expanding the Group's manufacturing equipment and production plants to enhance its production efficiency; approximately HKD7.7 million, HKD3.8 million and HKD1.8 million were utilised for expanding the sales channel, developing high-margin and innovative products and promoting brand name, respectively. Among the remaining proceeds of approximately HKD5.9 million, HKD3.8 million was utilised as working capital of the Group and the remaining amount 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 five financial years is set out on page 112 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 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 year are set out in note 28 to the consolidated financial statements.

Prior to the listing of the Company's shares, the Company had conditionally adopted a share option scheme (the "**Share Option Scheme**") on 19 August 2011 which became unconditional and effective on 24 November 2011. 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 of the Company issued on 14 November 2011) as incentives or rewards for their contribution 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.

REPORT OF THE DIRECTORS

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company has no reserves available for distribution (as at 31 December 2012: RMB14.8 million), of which nil dividend has been proposed for the year.

DIRECTORS

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

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

In accordance with Article 14.2 of the Company's articles of association, four Directors will retire and being eligible, will 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.

REPORT OF THE DIRECTORS

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 19 to 22 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 24 November 2011, which shall be renewed and extended automatically. The appointments of the independent non-executive Directors, namely Mr. Wang Jin Long, Ms. Tay Sheve Li and Dr. Chan Ah Pun, have been renewed for a term of two years commencing from 24 November 2013.

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 year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, 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) ("**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	241,644,000 (L)	63.59%
Madam Hung Kin (2)	Interest of controlled corporation	241,644,000 (L)	63.59%
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 long position in the shares.

(2) The shares are held by of Global Wisdom Capital Holdings Limited, which is 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 2013 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 2013, 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	Approximate percentage of shareholding
Global Wisdom Capital Holdings Limited	Beneficial owner	241,644,000 Shares (L) [1]	63.59%
Mr. Ho Kin	Beneficial owner and interest of controlled corporation	22,968,000 Shares (L) [2]	6.04%

Notes:

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

(2) Among these shares, 10,441,000 shares are legally and beneficially owned by Mr. Ho Kin and 12,528,000 shares are legally and beneficially owned by Zhong Xin Limited. As the issued shares of Zhong Xin Limited is wholly owned by Mr. Ho Kin, Mr. Ho Kin is deemed under the SFO to be interested in all the Shares held by Zhong Xin 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 Holdings Limited, in respect of their compliance with the non-competition undertaking provided in favour of the Company. 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 Holdings Limited have complied with the non-competition undertaking during the year ended 31 December 2013.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

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 largest supplier accounted for 7.45% (2012: 13.5%) of the Group's total purchases. The Group's five largest suppliers accounted for 25.0% (2012: 36.9%) of the Group's total purchases.

In the year under review, the Group's sales to its five largest customers accounted for 58.2% (2012: 67.3%) of the Group's total sales. The Group's largest customer accounted for 24.1% (2012: 27.7%) of the Group's total sales.

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, 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 Audit Committee has reviewed the Company's internal controls and risk management process, financial reporting and compliance procedures and financial results and reports, including review of the audited consolidated financial statements of the Group for the year ended 31 December 2013. The consolidated financial statements for the year ended 31 December 2013 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 23 to 35 of this annual report.

AUDITOR

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

A resolution will be submitted to 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, 25 March 2014

INDEPENDENT AUDITOR'S REPORT

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 46 to 111, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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 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 2013 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
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong
25 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Revenue	7	**543,788**	475,764
Cost of sales		**(422,006)**	(359,673)
Gross profit		**121,782**	116,091
Other income and gains	9	**3,253**	1,215
Selling and distribution expenses		**(22,828)**	(14,219)
Administrative expenses		**(54,597)**	(45,943)
Finance costs	10	**(3,252)**	(3,473)
Profit before tax		**44,358**	53,671
Income tax expense	11	**(19,983)**	(18,181)
Profit for the year	12	**24,375**	35,490
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**(1,381)**	(143)
Income tax relating to item that may be reclassified subsequently		**–**	–
Other comprehensive expense for the year, net of income tax		**(1,381)**	(143)
Total comprehensive income for the year		**22,994**	35,347
Earnings per share:			
– Basic and diluted (RMB)	16	**0.06**	0.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**200,288**	163,219
Prepaid lease payments	18	**12,424**	12,722
Deposits paid to acquire non-current assets	19	**4,980**	860
Prepayment	23	**391**	191
Deferred tax assets	20	**785**	570
		218,868	177,562
CURRENT ASSETS			
Inventories	21	**62,825**	47,460
Trade and bills receivables	22	**69,633**	64,939
Prepayments and other receivables	23	**14,294**	14,789
Prepaid lease payments	18	**297**	297
Restricted bank deposits	24	**8,479**	3,750
Cash and bank balances	24	**30,949**	24,134
		186,477	155,369
CURRENT LIABILITIES			
Trade and bills payables	25	**55,573**	42,649
Accruals and other payables	26	**25,967**	21,487
Advance from customers		**1,452**	631
Interest-bearing borrowings	27	**67,795**	31,645
Income tax payables		**5,190**	4,636
		155,977	101,048
Net current assets		**30,500**	54,321
Total assets less current liabilities		**249,368**	231,883
NON-CURRENT LIABILITY			
Interest-bearing borrowings	27	**4,998**	–
NET ASSETS		**244,370**	231,883

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CAPITAL AND RESERVES			
Share capital	28	**46,938**	46,938
Reserves		**197,432**	184,945
TOTAL EQUITY		**244,370**	231,883

The consolidated financial statements on pages 46 to 111 were approved and authorised for issue by the board of directors on 25 March 2014 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 2013

	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	46,938	24,264	2,487	117,130	(83)	5,800	196,536
Profit for the year	–	–	–	35,490	–	–	35,490
Other comprehensive expense for the year:							
Exchange differences arising on translating foreign operations	–	–	(143)	–	–	–	(143)
Total comprehensive (expense) income for the year	–	–	(143)	35,490	–	–	35,347
Appropriations to statutory reserve	–	4,903	–	(4,903)	–	–	–
As at 31 December 2012 and 1 January 2013	46,938	29,167	2,344	147,717	(83)	5,800	231,883
Profit for the year	–	–	–	24,375	–	–	24,375
Other comprehensive expense for the year:							
Exchange differences arising on translation of foreign operations	–	–	(1,381)	–	–	–	(1,381)
Total comprehensive (expense) income for the year	–	–	(1,381)	24,375	–	–	22,994
Appropriations to statutory reserve	–	5,950	–	(5,950)	–	–	–
Payment of dividends	–	–	–	(10,507)	–	–	(10,507)
As at 31 December 2013	46,938	35,117	963	155,635	(83)	5,800	244,370

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

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 its 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 29.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**44,358**	53,671
Adjustments for:		
Depreciation of property, plant and equipment	**20,905**	16,959
Amortisation of prepaid lease payments	**297**	297
Impairment loss of inventories	**–**	1,010
Loss (gain) on disposal of property, plant and equipment	**54**	(45)
Finance costs	**3,252**	3,473
Interest income	**(450)**	(501)
Cash generated from operation before movements in working capital	**68,416**	74,864
(Increase) decrease in inventories	**(15,365)**	13,915
Increase in trade and bills receivables	**(4,694)**	(29,809)
Decrease in prepayments and other receivables	**295**	3,319
Increase (decrease) in trade and bills payables	**12,924**	(1,232)
Increase in accruals and other payables	**4,480**	4,389
Increase (decrease) in advance from customers	**821**	(1,042)
Cash generated from operations	**66,877**	64,404
PRC income tax paid	**(19,043)**	(18,827)
Withholding tax paid	**(613)**	–
NET CASH GENERATED FROM OPERATING ACTIVITIES	**47,221**	45,577
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(59,190)**	(47,961)
Deposits paid to acquire non-current assets	**(4,980)**	(860)
(Increase) decrease in restricted bank deposits	**(4,729)**	4,950
Proceeds from disposal of property, plant and equipment	**1,997**	103
Interest received	**450**	501
NET CASH USED IN INVESTING ACTIVITIES	**(66,452)**	(43,267)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
FINANCING ACTIVITIES		
Repayment of borrowings	**(88,641)**	(112,009)
New borrowings raised	**129,789**	75,000
Dividends paid	**(10,507)**	–
Interest paid	**(3,252)**	(4,775)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**27,389**	(41,784)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**8,158**	(39,474)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**24,134**	63,744
Effect of foreign exchange rate changes	**(1,343)**	(136)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER, represented by cash and bank balances	**30,949**	24,134

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF 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 "Corporate Information" section in the Annual Report.

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

The consolidated financial statements 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, which include HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations ("**Ints**"), issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in 2012
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (revised 2011)	Employee Benefits
HKAS 27 (revised 2011)	Separate Financial Statements
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures
HK(IFRIC*) – INT 20	Stripping Costs in the Production Phase of a Surface Mine

* IFRIC represents the International Financial Reporting Interpretations Committee.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

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

The Group has applied the amendments to HKFRS 7 for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation and recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised 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

In the current year, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (revised 2011) and HKAS 28 (revised 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (revised 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

HKFRS 10 Consolidated Financial Statements

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 1 changes the definition of control such that an investor controls an investee if and only if it has (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.

As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusions.

HKFRS 12 Disclosure of Interests in Other Entities

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 application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements. Details are set out in note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements for 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 for share-based payment transactions within the scope of HKFRS 2 Share-based Payment, leasing transactions within the scope of HKAS 17 Leases and measurements that have some similarities to fair value but are not fair value.

HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

HKFRS 13 has been applied prospectively as of the beginning of the annual period and resulted in additional disclosure as set out in note 6 to the consolidated financial statements. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

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

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

[1] Effective for annual periods beginning on or after 1 January 2014.

[2] Effective for annual periods beginning on or after 1 July 2014.

[3] HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

[4] Effective for annual periods beginning on or after 1 January 2016.

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

Key requirements of HKFRS 9 are described as follows:

- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The effective date of HKFRS 9 is not yet determined. However, earlier application is permitted.

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.

Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. Changes in the fair value of financial liabilities attributable to changes in credit risk of financial liabilities that are designated as at fair value through profit or loss are disclosed in note 6.

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

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

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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

Annual Improvements to HKFRSs 2010-2012 Cycle (continued)

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

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 HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014 with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities 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 HKAS 32 are effective for annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

The directors of the Company anticipate that the application of the amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;
- each key assumption on which management has based its determination of fair value less costs of disposal;
- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied, and require retrospectively application.

The directors of the Company anticipate that the application of the amendments to HKAS 36 may result in additional disclosures being made with regard to the impairment assessment on non-financial assets.

HK(IFRIC) – Int 21 Levies

HK(IFRIC) – Int 21 provides guidance on when to recognise a liability for a levy imposed by a government for levies that are accounted for in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and levies where the timing and amount is certain. Under HK(IFRIC) – Int 21, a liability is recognised for a levy when the activity that triggers payment as identified by the relevant legislation occurs. HK(IFRIC) – Int 21 excludes income tax within the scope of HKAS 12 Income Taxes, fines and other penalties.

HK(IFRIC) – Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted and require retrospectively application.

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 of Hong Kong Limited 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 and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Company obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 at the dates of the transactions. At the end of the 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 arising on the settlement of monetary items, and on the retranslation of 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) using exchange rates prevailing at the end of each reporting period. Income and expenses items 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.

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 lessee

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

Research expenditure

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasehold land and building

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 an 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.

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 statement of financial position and is amortised over the lease term on a straight-line basis. 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.

Retirement benefits

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

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 profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 before tax as reported in the consolidated statements of profit or loss and other 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 temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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 associated with 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of each 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.

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 are 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.

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 properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment (other than properties under construction) less their residual values over their 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.

Properties in the course of construction for production, supply 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)

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 disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profits or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 with a 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 debt instrument, 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 and bills receivables, other receivables, restricted bank deposits and cash and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment loss 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 when 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
- disappearance of an active market for that financial asset because of financial difficulties.

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 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's 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 and bills receivables and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and bills receivable and other receivables are 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 measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt 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 and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities (including trade and bills payables, accruals and other payables and interest-bearing borrowings) are subsequently measured at amortised cost using the effective interest rate method.

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.

Equity instruments

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 issue costs.

Offsetting financial instruments

Financial assets and liabilities of the Group are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Derecognition

A financial asset is derecognised only when contractual 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.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses 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. When 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 of disposal 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on tangible assets (continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset 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 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

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).

Fair value measurement

When measuring fair value except for the Group's share-based payment transactions, leasing transactions, net realisable value of inventories and value in use of tangible assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

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 reported and disclosures made in the consolidated financial statements. The estimates and associated 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 judgment in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Ownership of buildings

As detailed in note 17, certain of the Group's buildings have not been granted legal title from the relevant government authorities yet. Although, the Group has not obtained the relevant legal title, the directors of the Company having regard to the legal opinion have recognised the buildings on the grounds that they expect the legal title to be obtained in the near future with no major difficulties and the Group in substance are controlling 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 resulting in 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. As at 31 December 2013, the carrying amount of property, plant and equipment was approximately RMB200,288,000 (2012: RMB163,219,000).

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 2013, the carrying amount of inventories was approximately RMB62,825,000 (2012: RMB47,460,000), net of the accumulated impairment loss of inventories approximately RMB2,585,000 (2012: RMB2,585,000).

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Impairment of trade and bills 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 2013, the carrying amount of trade and bills receivables was approximately RMB69,633,000 (2012: RMB64,939,000), net of allowance for doubtful debts of approximately RMB39,000 (2012: RMB39,000). As at 31 December 2013, the carrying amount of other receivables was approximately RMB5,140,000 (2012: RMB6,624,000) and no impairment on other receivables was made as at 31 December 2013 and 2012.

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 2013, the carrying amounts of property, plant and equipment and prepaid lease payments were approximately RMB200,288,000 (2012: RMB163,219,000) and RMB12,721,000 (2012: RMB13,019,000) respectively. No impairment loss of property, plant and equipment and prepaid lease payments was made as at 31 December 2013 and 2012.

Income taxes

As at 31 December 2013, net deferred tax asset of approximately RMB785,000 (2012: RMB570,000), in relation to unused tax losses, unrealised profit on inventories and accelerated tax depreciation, has been recognised in the Group's consolidated statements of financial position. No deferred tax asset has been recognised on tax losses arising in the People's Republic of China (the "**PRC**") and Hong Kong of approximately RMB48,784,000 (2012: RMB23,443,000) as at 31 December 2013, 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.

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For the year ended 31 December 2013

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 shareholders 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 27, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company regularly review the capital structure. As part of this review, the directors of the Company consider the cost of capital and risks associates 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 issues, new borrowings raised or repayment of existing borrowings.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2013	2012
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**109,683**	93,660
Financial liabilities at amortised cost	**150,276**	93,269

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, restricted bank deposits, cash and bank balances, trade and bills payables, accruals and other payables, and interest-bearing borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risk (currency risk and interest rate risk) and liquidity risk. 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 2013, 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.

In order to minimise the credit risk, the management of the Group 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 recoverability 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.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

As at 31 December 2013, the Group's concentration of credit risk by geographical locations is mainly in Japan and the PRC which accounted for 13% (2012: 14%) and 76% (2012: 66%) respectively of the total receivables.

As at 31 December 2013, the Group has concentration of credit risk as 3% (2012: 7%) and 24% (2012: 22%) of the total trade receivables was due from the Group's largest and five largest customers respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk

Foreign currency risk

The Group has foreign currency sales, which expose the Group to foreign currency risk. During the year ended 31 December 2013, approximately 59% (2012: 69%), of the Group's sales are denominated in United States dollars ("**USD**") other than the functional currencies of the group entities making the sales, whilst almost 100% (2012: 100%) of costs are denominated in the group entity's respective functional currencies.

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

	2013	2012
	RMB'000	RMB'000
Assets		
USD	**10,534**	9,949
HKD	**2,562**	2,036
RMB	**128**	107
Liabilities		
HKD	**1,033**	454

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.

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk (continued)

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

The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in the functional currency (RMB) against the relevant foreign currencies. 5% (2012: 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 end of the reporting period for a 5% (2012: 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% (2012: 5%) against the relevant currency. For a 5% (2012: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit.

	HKD impact (Note a)	
	Year ended 31 December 2013 RMB'000	Year ended 31 December 2012 RMB'000
Profit or loss	**57**	59

	USD impact (Note b)	
	Year ended 31 December 2013 RMB'000	Year ended 31 December 2012 RMB'000
Profit or loss	**395**	373

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk (continued)

	RMB Impact (Note c)	
	Year ended 31 December 2013 RMB'000	Year ended 31 December 2012 RMB'000
Profit or loss	**5**	4

Notes:

(a) 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.

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

(c) This is mainly attributable to the exposure on RMB denominated cash and bank balances at the end of each reporting period.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to a fixed rate interest-bearing borrowings and cash flow interest rate risk in relation to variable-rate interest-bearing borrowings (see note 27 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 arising from the Group's interest-bearing borrowings.

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to interest rates for non-derivative instruments including restricted bank deposits, bank balances and interest-bearing borrowings at the end of the reporting period. 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 (2012: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 100 basis points (2012: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2013 would decrease or increase by approximately RMB503,000 (2012: RMB9,000).

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. 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. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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.

As at 31 December 2013	**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	**55,573**	**–**	**–**	**55,573**	**55,573**
Accruals and other payables	**21,910**	**–**	**–**	**21,910**	**21,910**
Interest-bearing borrowings					
– variable rate	**70,585**	**4,471**	**1,421**	**76,477**	**72,793**
	148,068	**4,471**	**1,421**	**153,960**	**150,276**

As at 31 December 2012	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	42,649	–	–	42,649	42,649
Accruals and other payables	18,975	–	–	18,975	18,975
Interest-bearing borrowings					
– fixed rate	5,133	–	–	5,133	5,000
– variable rate	27,789	–	–	27,789	26,645
	94,546	–	–	94,546	93,269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. FINANCIAL INSTRUMENTS (CONTINUED)

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 products and knitted fabrics, net of discounts and sales related taxes. Revenue is analysed as follows:

	2013	2012
	RMB'000	RMB'000
Innerwear products	**360,720**	319,151
Knitted fabrics	**183,068**	156,613
	543,788	475,764

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Year ended 31 December 2013		
	Innerwear products RMB'000	**Knitted fabrics RMB'000**	**Total RMB'000**
Revenue			
External sales	360,720	183,068	543,788
Inter-segment revenue	90,436	99,498	189,934
Segment revenue	451,156	282,566	733,722
Elimination			(189,934)
Group's revenue			543,788
Segment profit	23,772	31,865	55,637
Other income			450
Finance costs			(3,252)
Unallocated head office and corporate expenses			(8,477)
Profit before taxation			44,358

8. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (continued)

	Year ended 31 December 2012		
	Innerwear products RMB'000	Knitted fabrics RMB'000	Total RMB'000
Revenue			
External sales	319,151	156,613	475,764
Inter-segment revenue	95,532	87,818	183,350
Segment revenue	414,683	244,431	659,114
Elimination			(183,350)
Group's revenue			475,764
Segment profit	37,851	27,606	65,457
Other income			501
Finance costs			(3,473)
Unallocated head office and corporate expenses			(8,814)
Profit before taxation			53,671

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 prepaid land lease payments, interest income, directors' emoluments, finance costs and unallocated head office and corporate expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

8. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Year ended 31 December 2013		
	Innerwear products RMB'000	Knitted fabrics RMB'000	Total RMB'000
Segment assets	182,568	181,099	363,667
Unallocated assets:			
Property, plant and equipment			1,178
Cash and bank balances			30,949
Restricted bank deposits			8,479
Deferred tax assets			785
Prepayments			151
Other receivables			136
Consolidated assets			405,345
Segment liabilities	57,015	24,761	81,776
Unallocated liabilities:			
Other payables			1,216
Income tax payables			5,190
Interest-bearing borrowings			72,793
Consolidated liabilities			160,975

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

	Year ended 31 December 2012		
	Innerwear products RMB'000	Knitted fabrics RMB'000	Total RMB'000
Segment assets	166,641	136,555	303,196
Unallocated assets:			
Property, plant and equipment			456
Cash and bank balances			24,134
Restricted bank deposits			3,750
Deferred tax assets			570
Prepayments			509
Other receivables			316
Consolidated assets			332,931
Segment liabilities	41,692	22,121	63,813
Unallocated liabilities:			
Other payables			954
Income tax payables			4,636
Interest-bearing borrowings			31,645
Consolidated liabilities			101,048

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment for general operating, prepayments for general operating, certain prepayments and other receivables, deferred tax assets, restricted bank deposits and cash and bank balances.

- all liabilities are allocated to operating segments other than other payables for general operating, income tax payables and interest-bearing borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

8. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Year ended 31 December 2013			
	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	10,637	10,238	327	21,202
Loss on disposal of property, plant and equipment	36	18	–	54
Additions to property, plant and equipment	25,863	33,116	1,071	60,050
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	(419)	(26)	(5)	(450)
Finance costs	2,395	857	–	3,252
Income tax expense	8,661	10,615	707	19,983

	Year ended 31 December 2012			
	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	8,987	8,154	115	17,256
Impairment loss of inventories	1,010	–	–	1,010
Gain on disposal of property, plant and equipment	(45)	–	–	(45)
Additions to property, plant and equipment	29,639	21,240	574	51,453
Additions to deposits paid to acquire non–current assets	–	860	–	860
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	(473)	(24)	(4)	(501)
Finance costs	1,153	2,320	–	3,473
Income tax expense	7,315	10,866	–	18,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

8. SEGMENT INFORMATION (CONTINUED)

Geographical information

Information about the Group's revenue from external customers is presented based on the destination where the products are delivered. Information about the Group's non-current assets is presented based on geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Japan	**229,182**	224,747	**–**	–
The PRC (country of domicile)	**221,243**	165,931	**218,083**	176,992
United States	**93,093**	81,409	**–**	–
Others	**270**	3,677	**–**	–
	543,788	475,764	**218,083**	176,992

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:

	2013	2012
	RMB'000	RMB'000
Customer A (note (a))	**131,074**	131,947
Customer B (note (a))	**–**	74,338
Customer C (note (b))	**68,642**	64,176
Customer D (note (a))	**63,025**	–

Notes:

(a) Revenue from manufacture of innerwear products and from overseas customers.

(b) Revenue from manufacture of knitted fabrics and from the PRC customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

9. OTHER INCOME AND GAINS

	2013 RMB'000	2012 RMB'000
Interest income	**450**	501
Sales of scrap materials	**198**	74
Gain on disposal of property, plant and equipment	**–**	45
Penalty income from suppliers	**73**	432
Insurance compensation	**96**	–
Development and design income for samples	**352**	–
Government grants *(note (a))*	**1,589**	–
Exchange gains	**370**	–
Others	**125**	163
	3,253	1,215

Note:

(a) During the year, government grants have been received by the Group from Zhucheng Bureau of Finance (諸城市財政局) for the contribution of the business development in Zhucheng county, which is directly recognised in profit or loss. The government subsidies have no specified conditions that the Group has to fulfill nor specified usage.

10. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest on bank loans wholly repayable within five years	**5,152**	4,775
Less: amounts capitalised in the cost of qualifying assets	**(1,900)**	(1,302)
	3,252	3,473

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.9% (2012: 7.0%) per annum to expenditure on qualifying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

11. INCOME TAX EXPENSE

	2013	2012
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax (the "**EIT**")		
– Provision for the year	**19,059**	17,102
– Under-provision in prior years	**537**	–
Withholding tax	**613**	–
Deferred tax (note 20)	**(226)**	1,079
	19,983	18,181

(a) 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.

(b) Hong Kong Profits Tax

The applicable tax rate for the subsidiaries incorporated in Hong Kong is 16.5% for the years ended 31 December 2013 and 2012.

For the years ended 31 December 2013 and 2012, no provision for Hong Kong Profits Tax had been made as there were no estimated assessable profit derived from Hong Kong subsidiaries.

(c) EIT

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

No provision of EIT has been made for Shandong Grand Concord Garment Co., Limited 山東廣豪服飾有限公司 ("**Shandong 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 2013 and 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

11. INCOME TAX EXPENSE (CONTINUED)

(d) 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 the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for the year ended 31 December 2013, in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB192,102,000 (2012: RMB171,665,000) 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:

	2013	2012
	RMB'000	RMB'000
Profit before tax	**44,358**	53,671
Tax at the domestic income rate of 25% (2012: 25%)	**11,089**	13,418
Tax effect of income not taxable for tax purpose	**(1,563)**	(22)
Tax effect of expenses not deductible for tax purpose	**2,904**	1,742
Effect of different tax rates of subsidiaries operating in other jurisdictions	**711**	706
Tax effect of tax losses not recognised	**6,333**	2,337
Underprovision in respect of prior years	**537**	–
Utilisation of tax losses previously not recognised	**(28)**	–
Tax charge for the year	**19,983**	18,181

Details of deferred tax are set out in note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

12. PROFIT FOR THE YEAR

	2013 RMB'000	2012 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Salaries and other benefits	**85,956**	73,471
Contributions to retirement benefit scheme	**5,946**	3,065
Total staff costs (including directors' emoluments)	**91,902**	76,536
Auditor's remuneration	**616**	885
Amortisation of prepaid lease payments	**297**	297
Cost of inventories recognised as an expense	**421,116**	358,663
Depreciation of property, plant and equipment	**20,905**	16,959
Exchange difference, net	**3,035**	1,228
Loss on disposal of property, plant and equipment	**54**	–
Impairment loss of inventories (included in cost of sales)	**–**	1,010
Research expenditure	**495**	389
Operating lease rentals in respect of rented premises	**1,218**	1,158

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors of the Company were as follows:

For the year ended 31 December 2013

Name of Director	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Executive directors				
Mr. Wong Kin Ling	**–**	**1,613**	**12**	**1,625**
Madam Hung Kin	**–**	**780**	**12**	**792**
Mr. Wang Shao Hua	**–**	**716**	**4**	**720**
Mr. Wei Jin Long	**–**	**713**	**–**	**713**
	–	**3,822**	**28**	**3,850**
Non-executive directors				
Mr. Wang Jin Tang	**120**	**–**	**–**	**120**
Ms. Tay Sheve Li	**195**	**–**	**–**	**195**
Dr. Chan Ah Pun	**130**	**–**	**–**	**130**
	445	**–**	**–**	**445**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

13. DIRECTORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2012

Name of Director	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Executive directors				
Mr. Wong Kin Ling	–	1,047	10	1,057
Madam Hung Kin	–	1,336	10	1,346
Mr. Wang Shao Hua	–	618	4	622
Mr. Wei Jin Long	–	554	2	556
	–	3,555	26	3,581
Non-executive directors				
Mr. Wang Jin Tang	120	–	–	120
Ms. Tay Sheve Li	196	–	–	196
Dr. Chan Ah Pun	131	–	–	131
	447	–	–	447

No directors of the Company waived or agreed to waive any emolument paid by the Group during the years ended 31 December 2013 and 2012. No emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2013 and 2012.

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 of the directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2013

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2012: four) were directors of the Company whose emoluments are included in the disclosure in note 13 above. The emoluments of the remaining two (2012: one) individual was as follows:

	2013 **RMB'000**	2012 RMB'000
Salaries and other benefits	**1,954**	650
Contributions to retirement benefit scheme	**9**	9
	1,963	659

Their emoluments were within the following bands:

	2013 **No. of Employees**	2012 No. of employees
Nil to HKD1,000,000 (equivalent to nil to approximately RMB800,000)	**–**	1
HKD1,000,001 to HKD1,500,000 (equivalent to approximately RMB800,001 to approximately RMB1,200,000)	**2**	–

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 2013 and 2012.

15. DIVIDENDS

No dividend is recommended by the directors of the Company in respect of the year ended 31 December 2013 (2012: HK3.5 cents per share).

16. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2013 is based on the profit attributable to owners of the Company of approximately RMB24,375,000 (2012: RMB35,490,000) and the weighted average of 380,000,000 ordinary shares (2012: 380,000,000) in issue during the year.

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 2013 and 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST:							
As at 1 January 2012	67,833	2,691	86,620	4,580	6,060	6,158	173,942
Additions	2,013	5,769	7,550	1,875	2,112	32,134	51,453
Disposals	–	–	(164)	(23)	(177)	–	(364)
Transfer from construction in progress	29,252	–	–	–	–	(29,252)	–
Exchange adjustments	–	–	–	(1)	(3)	–	(4)
As at 31 December 2012 and 1 January 2013	99,098	8,460	94,006	6,431	7,992	9,040	225,027
Additions	–	1,798	25,032	2,211	1,158	29,851	60,050
Disposals	–	–	(7,582)	(59)	(85)	–	(7,726)
Transfer from construction in progress	28,860	–	–	–	–	(28,860)	–
Exchange adjustments	–	–	–	(6)	(29)	–	(35)
As at 31 December 2013	127,958	10,258	111,456	8,577	9,036	10,031	277,316
ACCUMULATED DEPRECIATION:							
As at 1 January 2012	11,515	1,695	27,967	1,767	2,212	–	45,156
Provided for the year	3,486	1,811	8,918	1,114	1,630	–	16,959
Eliminated on disposals	–	–	(133)	(20)	(153)	–	(306)
Exchange adjustments	–	–	–	–	(1)	–	(1)
As at 31 December 2012 and 1 January 2013	15,001	3,506	36,752	2,861	3,688	–	61,808
Provided for the year	5,068	1,873	10,448	1,541	1,975	–	20,905
Eliminated on disposals	–	–	(5,578)	(49)	(48)	–	(5,675)
Exchange adjustments	–	–	–	(3)	(7)	–	(10)
As at 31 December 2013	20,069	5,379	41,622	4,350	5,608	–	77,028
CARRYING VALUES:							
As at 31 December 2013	107,889	4,879	69,834	4,227	3,428	10,031	200,288
As at 31 December 2012	84,097	4,954	57,254	3,570	4,304	9,040	163,219

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

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of 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

As at 31 December 2013, the Group has not obtained the building ownership certificates for buildings with carrying values of approximately RMB10,784,000 (2012: RMB44,153,000). The Group is in the process of obtaining the building ownership certificates.

As at 31 December 2013, certain Group's buildings and machinery with an aggregate carrying amounts of approximately RMB42,152,000 (2012: RMB33,342,000) were pledged to secure the bank loans granted to the Group (note 32).

18. PREPAID LEASE PAYMENTS

	2013 **RMB'000**	2012 RMB'000
Analysed for reporting purposes as:		
Non-current asset	**12,424**	12,722
Current asset	**297**	297
	12,721	13,019

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

As at 31 December 2013, certain Group's prepaid lease payments with an aggregate carrying amount of approximately RMB12,721,000 (2012: RMB11,422,000) were pledged to secure the bank loans granted to the Group (note 32).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

19. DEPOSITS PAID TO ACQUIRE NON-CURRENT ASSETS

	2013 **RMB'000**	2012 RMB'000
Deposits paid to acquire:		
Property, plant and equipment	**4,980**	860

20. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Unrealised profit on inventories RMB'000	**Tax losses** RMB'000	**Accelerated tax depreciation** RMB'000	**Total** RMB'000
At 1 January 2012	1,196	457	–	1,653
Charged to profit or loss for the year	(1,079)	–	–	(1,079)
Exchange difference	–	(4)	–	(4)
As at 31 December 2012 and at 1 January 2013	117	453	–	570
Credited (charged) to profit or loss for the year	321	–	(95)	226
Exchange difference	–	(11)	–	(11)
As at 31 December 2013	438	442	(95)	785

As at 31 December 2013, the Group has unused PRC and Hong Kong tax losses of approximately RMB51,462,000 (2012: RMB26,213,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of Hong Kong tax losses approximately RMB2,679,000 (2012: RMB2,770,000) of such losses as at 31 December 2013. No deferred tax asset has been recognised in respect of the remaining Hong Kong tax losses of approximately RMB2,608,000 (2012: RMB2,129,000) and PRC tax losses of approximately RMB46,175,000 (2012: RMB21,314,000) due to unpredictability of future profit streams. All the unrecognised PRC tax losses as at 31 December 2013 will expire in 2014 to 2018. Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB1,670,000 (2012: RMB1,670,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21. INVENTORIES

	2013 RMB'000	2012 RMB'000
Raw materials	**27,421**	24,015
Work-in-progress	**23,310**	20,230
Finished goods	**12,094**	3,215
	62,825	47,460

22. TRADE AND BILLS RECEIVABLES

	2013 RMB'000	2012 RMB'000
Trade and bills receivables	**69,672**	64,978
Less: allowance for doubtful debts	**(39)**	(39)
	69,633	64,939

The Group allows an average credit period of 30 to 90 days to its trade customers. The Group does not hold any collateral over the trade receivables. The following is an aged analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date at the end of each reporting period and as follows:

	2013 RMB'000	2012 RMB'000
0 – 30 days	**44,659**	43,041
31 – 60 days	**16,556**	12,066
61 – 90 days	**7,190**	8,567
Over 90 days	**1,228**	1,265
	69,633	64,939

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB6,851,000 (2012: RMB1,693,000) which are past due as at the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in credit quality and these balances are still considered recoverable.

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For the year ended 31 December 2013

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

			Past due but not impaired		
	Total	**Neither past 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 2013	69,633	62,782	6,613	238	–
31 December 2012	64,939	63,246	428	1,265	–

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

	2013	2012
	RMB'000	RMB'000
USD	**10,114**	7,461
HKD	**–**	37

23. PREPAYMENTS AND OTHER RECEIVABLES

	2013	2012
	RMB'000	RMB'000
Prepayments	**3,283**	422
Advance to suppliers	**6,262**	7,934
Other receivables	**5,140**	6,624
	14,685	14,980
Less: amount shown under non-current portion	**(391)**	(191)
	14,294	14,789

The amount shown under non-current portion was rental prepayment for a processing centre under an operating lease for over one to seven years.

The Group has individually assessed all other receivables and no impairment loss was recognised during the years ended 31 December 2013 and 2012. All other receivables were neither past due nor impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

23. PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

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

	2013 RMB'000	2012 RMB'000
HKD	**329**	366

24. 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 RMB8,479,000 (2012: RMB3,750,000) have been pledged to secure the short-term bills payables and are therefore classified as current assets as at 31 December 2013. During the year ended 31 December 2013, the balances carried interest at average market rates from 2.8% to 3% (2012: 2.85% to 3.1%) 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 0.35% (2012: 0.01% to 0.5%) per annum during the year ended 31 December 2013.

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:

	2013 RMB'000	2012 RMB'000
USD	**420**	2,488
HKD	**2,233**	1,633
RMB	**128**	107
EURO	**51**	62
POUND	**6**	6
	2,838	4,296

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25. TRADE AND BILLS PAYABLES

The aged analysis of trade payables is presented based on the invoice date at the end of the reporting period and as follows:

	2013 RMB'000	2012 RMB'000
0 – 30 days	41,689	33,128
31 – 90 days	10,937	7,039
91 – 180 days	2,512	1,731
Over 180 days	435	751
	55,573	42,649

The average credit period on purchase of goods is from 30 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

26. ACCRUALS AND OTHER PAYABLES

	2013 RMB'000	2012 RMB'000
Payroll and welfare payables	14,722	11,047
Other tax payables	4,057	2,512
Other payables	7,188	7,928
	25,967	21,487

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:

	2013 RMB'000	2012 RMB'000
HKD	1,033	454

27. INTEREST-BEARING BORROWINGS

	2013 RMB'000	2012 RMB'000
Bank loans – secured	**72,793**	31,645
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):		
On demand or within one year	**67,795**	31,645
After one year but within two years	**3,691**	–
After two years but within five years	**1,307**	–
	72,793	31,645
Less: amounts shown under current liabilities	**(67,795)**	(31,645)
	4,998	–

As at 31 December 2013, secured bank loans with carrying amount of approximately RMB72,793,000 (2012: RMB31,645,000) were secured by prepaid lease payments, buildings and machinery of the Group. Details are disclosed in note 32.

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

	2013		2012	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Fixed rate borrowings	**–**	**–**	5.60%	5,000
Variable rate borrowings	**6.30%-8.96%**	**72,793**	6.00%-8.96%	26,645
		72,793		31,645

As at 31 December 2013 and 2012, the carrying amounts of the Group's borrowings are denominated in RMB.

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

	2013 RMB'000	2012 RMB'000
Expiring within one year	**–**	10,000

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28. SHARE CAPITAL

	Number of shares	Amount
		RMB'000
Ordinary share of HKD0.01 each		
Authorised:		
At 1 January 2012, 31 December 2012 and 31 December 2013	1,000,000,000	–
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and 31 December 2013	380,000,000	46,938

29. 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 by an independent valuer, and represented the then fair values of the Shares. The Shares Consideration was paid by the Executives in cash by three installments which was fully settled on 7 March 2011, 7 March 2012 and 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 an 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.

29. SHARE-BASED PAYMENT (CONTINUED)

On 19 August 2011, the Company has adopted a share option scheme (the "**Scheme**") for the primary purpose of providing incentives to directors of the Company, 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; and 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 the 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 for the years ended 31 December 2013 and 2012.

30. OPERATING LEASES ARRANGEMENTS

The Group as leasee

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

	2013	2012
	RMB'000	RMB'000
Within one year	**591**	725
In the second to fifth years, inclusive	**269**	–
	860	725

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

31. CAPITAL COMMITMENTS

	2013 RMB'000	2012 RMB'000
Amount contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**6,478**	7,900

32. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure bills payables (note 25) to suppliers and bank loans (note 27) of the Group at the end of the reporting period:

	2013 RMB'000	2012 RMB'000
Prepaid lease payments	**12,721**	11,422
Buildings	**28,832**	22,499
Machinery	**13,320**	10,843
Restricted bank deposits	**8,479**	3,750
	63,352	48,514

33. 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 costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group operates 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 schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes specified rate of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The total cost charged to profit or loss of RMB5,946,000 (2012: RMB3,065,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

34. MATERIAL RELATED PARTY TRANSACTIONS

(i) Balances

	Year ended 31 December 2013 RMB'000	Year ended 31 December 2012 RMB'000	**Maximum amount outstanding during the year 2013 RMB'000**	Maximum amount outstanding during the year 2012 RMB'000
Amount due from a director (note (a))				
Madam Hung Kin	**–**	–	**–**	11,000

Note:

(a) The amount due from a director was unsecured, non-interest bearing and repayable on demand. The amount was fully settled before 31 December 2012.

(ii) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management during the year was as follows:

	2013 RMB'000	2012 RMB'000
Short-term benefits	**7,297**	4,002
Post-employment benefits	**53**	26
	7,350	4,028

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

(iii) Guarantees

At 31 December 2013, interest-bearing borrowings of approximately RMB18,105,000 were guaranteed by directors of the Company, Mr. Wong Kin Ling and Madam Hung Kin.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

35. MAJOR NON-CASH TRANSACTIONS

The consideration for additions to property, plant and equipment of approximately RMB60,050,000 (2012: RMB51,453,000) for the year ended 31 December 2013 as set out in note 17 was partially settled by deposit of approximately RMB860,000 (2012: RMB2,190,000).

36 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2013 and 2012 are as follows:

Name	Place of incorporation/ registration and operations	Class of shares held	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Proportion of voting power held by the Company	Principal activities
				Indirectly		
Grand Concord Trading Limited 廣豪貿易有限公司	Hong Kong	Ordinary	HKD2	100%	100%	Investment holding
Grand Concord Garment (Hong Kong) Limited 廣豪服飾（香港）有限公司	Hong Kong	Ordinary	HKD1	100%	100%	Trading of garments
Zhucheng Eternal Knitting Co., Limited 諸城裕泰針織有限公司 (note (a) and (b))	The PRC	Ordinary	USD2,300,000	100%	100%	Manufacture of innerwear
Zhucheng Yumin Knitting Co., Limited 諸城裕民針織有限公司 (note (a) and (b))	The PRC	Ordinary	USD5,600,000 (2012: USD3,600,000)	100%	100%	Manufacture of fabrics, provision of fabric weaving knitting, printing and dyeing services
Shandong Grand Concord Garment Co., Limited 山東廣豪服飾有限公司 (note (a) and (b))	The PRC	Ordinary	USD1,500,000	100%	100%	Manufacture of innerwear and garments

36 PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes:

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

(b) 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 Group which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

At the end of the reporting period, the Company has another subsidiary that is not material to the Group and set out as follows:

Principal activity	**Principal place of business**	**Number of subsidiaries**	
		2013	2012
Investment holding	BVI	**1**	1

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**543,788**	475,764	416,547	378,289	194,912
Profit for the year	**24,375**	35,490	29,184	53,471	31,612
Total comprehensive income for the year	**22,994**	35,347	29,324	53,666	31,446

ASSETS AND LIABILITIES

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**405,345**	332,931	334,203	273,431	190,289
Total liabilities	**(160,975)**	(101,048)	(137,667)	(158,874)	(129,398)
Total equity	**244,370**	231,883	196,536	114,557	60,891

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 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.