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

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 844

INTERIM REPORT 2014

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUTHORISED REPRESENTATIVES

Mr. Wong Kin Ling
Madam Hung Kin

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Lee Yin Sing, *CPA*

AUDITOR

SHINEWING (HK) CPA Limited

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

No. 102 Renmin Dong Road
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Shandong Province
The PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE 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 BANKER

Industrial and Commercial Bank of China, Zhucheng sub-branch
The Hongkong and Shanghai Banking Corporation Limited

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 six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Key Financial Information		
Revenue	**204,997**	209,049
Gross profit	**45,943**	47,878
Profit before tax	**11,043**	14,526
Profit for the period	**6,472**	9,360
Total comprehensive income for the period	**6,495**	9,052

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Non-current assets	**227,193**	218,868
Current assets	**271,499**	186,477
Current liabilities	**243,063**	155,977
Net current assets	**28,436**	30,500
Total assets	**498,692**	405,345
Total assets less current liabilities	**255,629**	249,368
Total equity	**250,865**	244,370
Cash and cash equivalents	**72,417**	30,949

KEY FINANCIAL RATIOS

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Gross profit margin	**22.4%**	22.9%
Net profit margin	**3.2%**	4.5%
Trade receivables turnover days	**74**	66
Inventory turnover days	**78**	86

	As at 30 June 2014	As at 31 December 2013
	RMB'000	RMB'000
Gearing ratio(1)	**25.7%**	18.0%
Current ratio(2)	**1.1**	1.2

Note:

1. Gearing ratio represents the ratio of total borrowings to total assets.

2. Current ratio represents the ratio of current assets to current liabilities.

REVENUE OF THE GROUP ANALYSED BY PRODUCT CATEGORIES

	Six months ended 30 June			
	2014 RMB'000	**2014 %**	2013 RMB'000	2013 %
Knitted fabrics				
General fabrics	**5,636**	**2.7**	7,500	3.6
Functional fabrics	**90,647**	**44.2**	68,226	32.6
Sub-total	**96,283**	**46.9**	75,726	36.2
Innerwear products				
General innerwear	**27,009**	**13.2**	62,558	29.9
Functional innerwear	**81,705**	**39.9**	70,765	33.9
Sub-total	**108,714**	**53.1**	133,323	63.8
Total	**204,997**	**100.0**	209,049	100.0

REVENUE OF THE GROUP ANALYSED BY REGIONAL DISTRIBUTION

	Six months ended 30 June			
	2014 RMB'000	**2014 %**	2013 RMB'000	2013 %
Japan	**91,676**	**44.7**	90,901	43.5
PRC	**104,486**	**51.0**	84,012	40.2
United States	**8,835**	**4.3**	34,136	16.3
Total	**204,997**	**100.0**	209,049	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2014, according to the statistics published by the National Bureau of Statistics of China, China's textile and apparel industry as a whole has yet to achieve full recovery, with the added value of the production of the industry growing by 6.4% only in the first half of 2014 as compared to the same period last year, while the export growth of the industry for the first six months was only 4.2%, slightly lower than expected, representing a 7.7% decline over the same period last year. The whole industry was still struggling to find its way to bottom out. During the period under review, although the spread between domestic and international cotton prices was narrowing, the domestic labour cost was inflating, putting the competitiveness of Chinese textile enterprises in a vulnerable position among competitors with significantly lower labour cost from other emerging textile export countries in Southeast Asia, such as Vietnam, Cambodia, Bangladesh and Indonesia. The local consumption market remains sluggish ever since the implementation of macro-economic control policies in China. In the first half of 2014, the economic growth rate in China was merely 7.4%, which reflected the weak consumer market demand and the poor performance of China's local consumption market.

Externally, the Group also faces unfavourable economic environment. China's textile export sector was still largely constrained by the sluggish economic conditions. Under the influence of negative factors in the country, in order to stabilise the customer base and seek for a broader space for development, textile companies in China generally choose to lower their profit margins to drum up orders. The Group was facing intense price competition in one of its major export markets, the United States, in spite of its slight growth. As a result, the Group's export orders to the United States were priced at historically low profit margin. The European Union and Japanese retail markets continued to shrink as well.

In order to increase business profitability in the long run, the Group has launched a restructuring plan on its existing customer base from the United States during the period under review, which thus has significantly reduced the orders from customers in the United States. The Group looks forward to attract more customers from the United States and European countries who demand quality functional fabrics and innerwear products, which will increase the gross margin of the Group. Through the efforts of the Group in promoting domestic sales, in the absence of a large number of orders from the United States, half-year turnover of the Group slightly decreased by 1.9% to approximately RMB205 million. However, to increase its market share in China and forge closer relationships with customers, the Group slightly reduced the prices of its products in the domestic market and was therefore facing enormous pressure in maintaining its profit margin. Furthermore, the Group experienced an increase in unit production cost of the Group, which dwindled the Group's price bargaining power. In an effort to maintain the unit price of export, the Group's gross profit fell to approximately RMB45.9 million from approximately RMB47.9 million for the same period last year and its gross margin slightly dropped by 0.5% to 22.4% during the period under review. The profit attributable to shareholders decreased by 30.9% to approximately RMB6.5 million (2013: RMB9.4 million).

The revenue attributable to functional fabrics and functional innerwear increased by approximately 32.9% and 15.5% to RMB90.6 million and RMB81.7 million respectively. During the period under review, the Group was actively identifying new customers from the United States and European market who demand for quality functional fabrics and innerwear products in order to expand our market share in such regions. Meanwhile, the performance of domestic functional fabrics market was encouraging and showed signs of potential for further development. The Group is currently a supplier of functional fabrics to many famous brands in the world and an OEM innerwear supplier for numerous major international clothing brands.

During the period under review, the Group continued to invest in advanced and environmental friendly production machineries to further improve automation efficiency, optimise the allocation of labour during its production process in order to cope with the increasing labour costs and provide a stronger fundamental for the Group to further develop the European market. The Group does not currently intend to relieve its cost pressure by raising its product prices in order to maintain friendly and mutually beneficial relationships with its customers.

The Group has strenuously devoted in the research and development of new products and enhancement of the environmental protection quality of its functional fabrics products, with different components, design and specifications catering for the rapidly expanding market demand in the leisure, home and sports markets. During the period under review, the Group had been actively developing more diversified regional markets, among which the European market had been the key target. According to the statistics of the first quarter of 2014, value of textile and apparel exports from China to the EU amounted to approximately US$11.09 billion, representing an increase of approximately 10.2% over the same period last year, which was higher than those to the United States, the ASEAN and Japan. Meanwhile, the market of functional fabrics and functional innerwear in Europe is maturing and has a huge room for different types of multi-feature products. Hence, the Group looks forward to attracting new customers from the European market through its promotion of its functional products. Another key market for the Group is Japan. The demand from Japan on functional fabrics and functional innerwear remains active and the influence of 'Home ECO' (home environmental) concept has fully reflected in the view of people in Japan that functional innerwear merchandises are part of their daily necessities. The selling prices of these products are becoming more acceptable by general public. The Group remains confident in the Japanese market that the demand in the market would remain stable. In light of the pressure in unit selling price, the Group believes that, through effective cost control, production and development of various functional products, it will continue to generate stable revenue from the Japanese market.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by knitted fabrics and innerwear products and as a percentage of the Group's total revenue for the six months ended 30 June 2014, with corresponding comparative figures for 2013:

	Six months ended 30 June			
	2014	**2014**	2013	2013
	RMB'000	**%**	RMB'000	%
Knitted fabrics				
General fabrics	**5,636**	**2.7**	7,500	3.6
Functional fabrics	**90,647**	**44.2**	68,226	32.6
Sub-total	**96,283**	**46.9**	75,726	36.2
Innerwear products				
General innerwear	**27,009**	**13.2**	62,558	29.9
Functional innerwear	**81,705**	**39.9**	70,765	33.9
Sub-total	**108,714**	**53.1**	133,323	63.8
Total	**204,997**	**100.0**	209,049	100.0

For the six months ended 30 June 2014, the Group recorded a revenue of approximately RMB205.0 million (2013: RMB209.0 million), representing a decrease of approximately RMB4.0 million, or approximately 1.9%, as compared with that for the corresponding period in 2013. The sales volume of general fabrics, functional fabrics, general innerwear and functional innerwear for the six months ended 30 June 2014 were approximately 107 tons, 1,261 tons, 2.4 million pieces and 5.8 million pieces respectively (2013: 159 tons, 887 tons, 5.1 million pieces and 5.0 million pieces respectively). The decrease in revenue was mainly due to the decrease in the sales of the Group's general innerwear products.

Sales of knitted fabrics amounted to approximately RMB96.3 million (2013: RMB75.7 million) representing approximately 46.9% (2013: 36.2%) of the total revenue for the six months ended 30 June 2014. The increase in the sales of knitted fabrics was mainly due to the Group's effort to promote the spring and summer functional fabrics products in the period concerned. The sales volume and sales of functional knitted fabrics increased by approximately 42.2% and 32.9% to approximately 1,261 tons and RMB90.6 million for six months ended 30 June 2014 (2013: 887 tons and RMB68.2 million). In light of the increase in sales volume of functional fabrics products, the overall sales volume of knitted fabrics increased by approximately 30.8% from approximately 1,046 tons in the six months ended 30 June 2013 to approximately 1,368 tons in the same period of 2014.

Sales of innerwear products amounted to approximately RMB108.7 million (2013: RMB133.3 million), representing approximately 53.1% (2013: 63.8%) of the total revenue for the six months ended 30 June 2014. The decrease in the sales of innerwear products in the amount of approximately RMB24.6 million, or approximately 18.5%, in the six months ended 30 June 2014 as compared with that in the corresponding period in 2013 was mainly due to the decrease in sales of general innerwear to US customers for the six months ended 30 June 2014. The sales volume of innerwear products decreased from approximately 10.1 million pieces in the six months ended 30 June 2013 to approximately 8.2 million pieces in the same period in 2014. The sales volume as well as the sales of general innerwear products decreased by approximately 2.7 million pieces and RMB35.6 million to 2.4 million pieces and RMB27.0 million as compared to the same period in 2013 (2013: 5.1 million pieces and RMB62.6 million). As the profit margin of the general innerwear products was relatively lower than that of the functional innerwear products, during the period under review, the Group has given up certain customers of general innerwear products to focus on the customers of the functional innerwear products. The sales volume and the sales of the functional innerwear products increased to approximately 5.8 million pieces and approximately RMB81.7 million for the six months ended 30 June 2014 (2013: 5.0 million pieces and RMB70.8 million).

Cost of sales

Cost of sales decreased by approximately 1.3% from approximately RMB161.2 million for the six months ended 30 June 2013 to approximately RMB159.1 million for the corresponding period in 2014. However, the average unit production costs of innerwear products and knitted fabrics of the Group in the first six months of 2014 were higher than that over the same period in 2013, which was mainly due to the increase in average unit raw material cost and increase in average unit manufacturing overhead. The decrease in overall cost of sales was mainly due to the decrease in sales volume of general innerwear products.

The decrease in cost of general innerwear products of approximately RMB30.5 million outweighed the increase in cost of sales of functional innerwear products and knitted fabrics products of approximately RMB11.3 million and RMB17.1 million, respectively. Thus, the cost of sales of the Group for the six months ended 30 June 2014 decreased.

Gross profit and gross profit margin

Gross profit decreased by approximately RMB1.9 million, or approximately 4.0%, from approximately RMB47.9 million for the six months ended 30 June 2013 to approximately RMB45.9 million for the six months ended 30 June 2014 as a result of a slight decrease in average unit selling price and an increase in unit production cost of the innerwear products and knitted fabrics products. The Group's gross profit margin slightly decreased from approximately 22.9% for the six months ended 30 June 2013 to approximately 22.4% for the corresponding period in 2014.

The following table sets forth the Group's gross profits and gross profit margins by products for the six months ended 30 June 2014, with corresponding comparative figures in 2013:

	Six months ended 30 June			
	2014 RMB'000	**2014 %**	2013 RMB'000	2013 %
Knitted fabrics				
General fabrics	**466**	**8.3**	1,030	13.7
Functional fabrics	**21,514**	**23.7**	17,496	25.6
Sub-total	**21,980**		18,526	
Innerwear products				
General innerwear	**2,649**	**9.8**	7,721	12.3
Functional innerwear	**21,314**	**26.1**	21,631	30.6
Sub-total	**23,963**		29,352	
Total	**45,943**	**22.4**	47,878	22.9

Other income and gains

Other income and gains amounted to approximately RMB1.1 million (2013: RMB1.0 million) for the six months ended 30 June 2014 which were mainly interest income from bank deposits and gains from sales of scrap materials.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB0.5 million to approximately RMB5.6 million (2013: RMB6.2 million) for the six months ended 30 June 2014. The Group has incurred promotion expenses of approximately RMB0.1 million in the six months ended 30 June 2014 (2013: RMB0.7 million) as certain customer development cost has been absorbed in the cost of sales of the Group.

Administrative expenses

Administrative expenses increased by approximately 5.1% to approximately RMB27.6 million (2013: RMB26.3 million) for the six months ended 30 June 2014, primarily reflecting the increase in staff benefits, depreciation expenses and loss on disposal of property, plant and equipment.

Total staff benefits (including salaries, social welfare and other staff costs) increased by approximately 20.7% from approximately RMB11.6 million in six months ended 30 June 2013 to approximately RMB14.0 million in the corresponding period in 2014 paid to the administrative staff.

The depreciation expenses increased by approximately 2.9% to approximately RMB3.6 million for the six months ended 30 June 2014 (2013: RMB3.5 million) due to the reconstruction and expansion of the administrative office of the Group.

The loss on disposal of property, plant and equipment of approximately RMB2.4 million was derived from the reconstruction of certain factory buildings of the Group during the six months ended 30 June 2014 for further increase of the production capacity of the Group. Management expected that this loss on disposal was a one-off and non-recurring expense and the newly constructed factory buildings would bring further economic benefits to the Group in the future.

Finance costs

Finance costs increased to approximately RMB2.8 million (2013: RMB1.9 million) for the six months ended 30 June 2014 primarily due to the increase in bank borrowings when compared to that for the same period in 2013. The effective interest rates charged on bank borrowings for the six months ended 30 June 2014 ranged from 5.6% to 8.7%, which were slightly lower than that of the same period in 2013 (2013: 5.6% to 9.0%).

Profit before tax

The Group's profit before tax decreased to approximately RMB11.0 million (2013: RMB14.5 million) for the six months ended 30 June 2014 mainly due to the decrease in gross profit as a result of higher unit cost of sales and the increase in administrative expenses and finance costs as mentioned above.

Income tax expense

Income tax expense slightly decreased to approximately RMB4.6 million (2013: RMB5.2 million). The Group's effective tax rate for the six months ended 30 June 2014 was 41.4% as compared to 35.6% for the corresponding period in 2013. The increase in effective tax rate was due to tax loss not recognised in subsidiaries of the Group for the six months ended 30 June 2014.

Profit for the period and profit margin

The Group's profit decreased by approximately RMB2.9 million, or approximately 30.9%, from approximately RMB9.4 million for the six months ended 30 June 2013 to approximately RMB6.5 million for the corresponding period in 2014. Profit margin was approximately 3.2% for the six months ended 30 June 2014 (2013: 4.5%) and the decrease was mainly due to the decrease in gross margin and the increase in administrative expenses and finance costs as mentioned above.

Inventories

The inventory balances increased to approximately RMB73.4 million as at 30 June 2014 (as at 31 December 2013: RMB62.8 million) reflecting an increase in the purchases of raw materials and the amount of finished goods in anticipation of increased sales orders and delivery in the second half of 2014. For the six months ended 30 June 2014, the average inventories turnover days was 78 days (as at 31 December 2013: 48 days).

Trade and bills receivables

Trade and bills receivables increased to approximately RMB96.9 million as at 30 June 2014 (as at 31 December 2013: RMB69.6 million). The trade and bills receivables as at 30 June 2014 were relatively higher as a result of certain bulk orders being delivered in May and June 2014.

Trade and bills payables

Trade and bills payables increased to approximately RMB96.3 million as at 30 June 2014 (as at 31 December 2013: RMB55.6 million). The Group made more purchases of raw materials in response to the increase in production volume during the six months ended 30 June 2014, which led to the increase in the trade and bills payables.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sales of its products and bank borrowings. As at 30 June 2014, the Group's current ratio (calculated as current assets divided by current liabilities) was approximately 1.1 (as at 31 December 2013: 1.2). As at 30 June 2014, the Group had cash and cash equivalents of approximately RMB72.4 million (as at 31 December 2013: RMB30.9 million), which were mainly generated from or utilised in daily operations, including sales of products, purchase of materials and obtaining of the short-term bank loans of approximately RMB123.2 million (as at 31 December 2013: RMB67.8 million). As at 30 June 2014, the Group's gearing ratio (calculated as the total debt as at period-end divided by total assets as at period-end x 100%, where total debts are defined to include both current and non-current interest-bearing borrowings) was approximately 25.7%, as compared to approximately 18.0% as at 31 December 2013.

As at 30 June 2014, the Group had fixed rate bank borrowings of approximately RMB67.0 million (as at 31 December 2013: Nil) and variable rate bank borrowings of approximately RMB61.0 million (as at 31 December 2013: RMB72.8 million). The effective interest rates on the Group's fixed rate and variable rate bank borrowings ranged from 5.6% to 6.9% and 6.0% to 8.7% per annum, respectively, as at 30 June 2014 (as at 31 December 2013: variable rate bank borrowings ranged from 6.3% to 9.0% per annum). During the period under review, there was no material change to the Group's funding and treasury policy.

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

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

Interest rate and foreign currency exposure

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

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

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

Contingent liabilities

As at 30 June 2014, the Group had no material contingent liabilities.

Charges on Group assets

As at 30 June 2014, the Group's bills payables and bank borrowings were secured by pledges over the Group's machinery, buildings and prepaid lease payments of carrying amounts of approximately RMB11.1 million, RMB73.2 million and RMB12.6 million, respectively (as at 31 December 2013: RMB13.3 million, RMB28.8 million and RMB12.7 million, respectively). As at 30 June 2014, the Group also pledged its bank deposits of approximately RMB18.1 million (as at 31 December 2013: RMB8.5 million) to secure short-term bills payables.

HUMAN RESOURCES

As at 30 June 2014, the Group employed approximately 1,900 employees. Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group would conduct periodic reviews of the performance of its employees and their salaries and bonuses are performance-based. During the period under review, the Group had neither experienced any significant problems with its employees or disruptions to its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced employees. The Group maintains good relationships with its employees.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2014 (2013: Nil).

PROSPECTS

External economies remain uncertain and domestic consumer market lacks momentum as compared to its previous rapid growth. However, customers in the world are becoming more concerned in environmental-friendly and healthy lifestyles with lower carbon emission, which gives room for the development of functional fabrics and innerwear with emphasis on energy saving and emission reduction. New product features under research include comfort, regeneration, environmental-friendly, antibacterial and negative ion, which the Group believes will create new opportunities for an even bigger market. According to the latest statistics, the current global sales of functional fabrics reached USD50 billion annually, and domestic demand for fabrics amounted to RMB50 billion. As the functional fabric market is expected to grow in the coming future, coupling with new technologies and products, the industry outlook remains positive.

By leveraging on its solid and rich experience as well as its excellent goodwill, the Group manages to maintain long term close business relationships with its suppliers from different regions. The Group expects to boost its growth in new orders gradually by means of expansion into new markets. At the same time, as the Group is enjoying excellent credibility and popularity in the US market, it is continuously working on fine-tuning its US customer mix by focusing on customers who demand quality functional fabrics and innerwear products and enables the Group to earn higher profit margins. In relation to the Japanese market, despite the drop in Chinese fabric export to Japan in the first quarter of 2014, the Group is still confident towards Japanese functional fabric and innerwear market. Japan will remain one of the Group's most important markets. While the growth of the Chinese economy is slowing down, awareness among Chinese customers towards healthy and multi-functional fabrics is gradually catching up with the foreign trend. The demand for clothing that can keep them warm during autumn/winter and stay cool and dry during spring/summer is increasing. Upon the increasing work and life pressure, together with the pursuit of healthy and environmental-friendly lifestyle, people around the world including China are participating in more leisure and outdoor sports, boosting the production and sales of the functional fabrics.

Therefore, the Group will continue to expand its production capacity, upgrade its equipment, improve its production automation capabilities and adopt more advanced production technologies. The Group will also work on raising its production efficiency, lowering its operating costs, and expanding at the same pace as its development. It is the goal to bring more significant economic benefits upon scale expansion in the future. The Group may also consider plans to gradually develop its own apparel brands to better leverage on its advantage as a one-stop provider to be ready to cope with market opportunities and to achieve breakthroughs in its future growth.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2014.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2014, the Group did not engage in any material acquisitions or disposals.

EVENT AFTER THE REPORTING PERIOD

As at the date of this report, there was no significant event subsequent to 30 June 2014 which would materially affect the Group's operating and financial performance.

CORPORATE GOVERNANCE

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 Company has adopted the code provisions and certain recommended best practices contained in the Corporate Governance Code (the "**CG Code**"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), as the code of the Company. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintain and improve high standards of corporate governance practices. During the six months ended 30 June 2014, the Company had complied with the code provisions (the "**Code Provisions**") set out in the CG Code, 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.

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 had complied with the required standards as set out in the Model Code during the six months ended 30 June 2014.

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

As at 30 June 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "**SFO**"), as recorded in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in the shares of the Company

Name of Director	Capacity	Number of shares[(1)]	Approximate percentage of shareholding
Mr. Wong Kin Ling[(2)]	Interest of controlled corporation	241,836,000(L)	63.64%
Madam Hung Kin[(2)]	Interest of controlled corporation	241,836,000(L)	63.64%
Mr. Wei Jin Long	Beneficial owner	24,000,000(L)	6.31%
Mr. Wang Shao Hua	Beneficial owner	15,000,000(L)	3.95%

Notes:

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

(2) All the issued shares of Global Wisdom Capital Holdings Limited are legally 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 report, at no time during the six months ended 30 June 2014 and up to the date of this 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 OF THE COMPANY

As at 30 June 2014, to the best knowledge of the Directors, the interests and short positions of every person (other than the Directors or the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Capacity	Number of shares[1]	Approximate percentage of shareholding
Global Wisdom Capital Holdings Limited	Beneficial owner	241,836,000 (L)	63.64%
Mr. Ho Kin	Beneficial owner and interest of controlled corporation	26,788,000 (L)[2]	7.04%

Notes:

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

(2) Among these 26,788,000 shares, 10,360,000 shares are legally and beneficially owned by Mr. Ho Kin and 16,428,000 shares are legally and beneficially owned by Zhong Xing Ltd. As Zhong Xing Ltd 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 Xing Ltd.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company ("**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 the integrity of the financial statements, the annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and reviewing the financial controls, internal control and risk management systems.

The Audit Committee comprises Ms. Tay Sheve Li (Chairlady), Mr. Wang Jin Tang and Dr. Chan Ah Pun, who are the independent non-executive Directors.

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2014.

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

REMUNERATION COMMITTEE

The remuneration committee (the "**Remuneration Committee**") of the Company was established on 19 August 2011 with written terms of reference in compliance with the Listing Rules. 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 comprises three independent non-executive Directors, Mr. Wang Jin Tang, Ms. Tay Sheve Li and Dr. Chan Ah Pun and one executive Director, Mr. Wong Kin Ling. The Remuneration Committee is chaired by Mr. Wang Jin Tang.

NOMINATION COMMITTEE

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

CHANGES OF INFORMATION IN RESPECT OF DIRECTORS

In the six months ended 30 June 2014 and up to the date of this report, there were no changes to information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules, where applicable.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Six months ended 30 June	
	NOTES	**2014 RMB'000 (Unaudited)**	2013 RMB'000 (Unaudited)
Revenue		**204,997**	209,049
Cost of sales		**(159,054)**	(161,171)
Gross profit		**45,943**	47,878
Other income and gains	*4*	**1,131**	1,041
Selling and distribution expenses		**(5,617)**	(6,164)
Administrative expenses		**(27,624)**	(26,284)
Finance costs	*5*	**(2,790)**	(1,945)
Profit before tax		**11,043**	14,526
Income tax expense	*6*	**(4,571)**	(5,166)
Profit for the period	*7*	**6,472**	9,360
		RMB cents	RMB cents
Earnings per share:			
– Basic and diluted	*9*	**1.7**	2.0

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Six months ended 30 June	
	NOTES	**2014** **RMB'000** **(Unaudited)**	2013 RMB'000 (Unaudited)
Profit for the period	*7*	**6,472**	9,360
Other comprehensive income (expense) for the period:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		**23**	(308)
Total comprehensive income for the period		**6,495**	9,052

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	NOTES	**30 June 2014 RMB'000 (Unaudited)**	31 December 2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*10*	**213,397**	200,288
Prepaid lease payments		**12,266**	12,424
Deposits paid to acquire non-current assets	*11*	**–**	4,980
Prepayment		**262**	391
Deferred tax assets		**1,268**	785
		227,193	218,868
Current assets			
Inventories		**73,422**	62,825
Trade and bills receivables	*12*	**96,929**	69,633
Prepayments and other receivables		**10,363**	14,294
Prepaid lease payments		**297**	297
Restricted bank deposits		**18,071**	8,479
Cash and bank balances		**72,417**	30,949
		271,499	186,477
Current liabilities			
Trade and bills payables	*13*	**96,255**	55,573
Accruals and other payables		**21,409**	25,967
Advance from customers		**1,485**	1,452
Interest-bearing borrowings	*14*	**123,218**	67,795
Income tax payables		**696**	5,190
		243,063	155,977
Net current assets		**28,436**	30,500
Total assets less current liabilities		**255,629**	249,368
Non-current liability			
Interest-bearing borrowings	*14*	**4,764**	4,998
Net assets		**250,865**	244,370
Capital and reserves			
Share capital	*15*	**46,938**	46,938
Reserves		**203,927**	197,432
Total equity		**250,865**	244,370

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Attributable to owners of the Company						
	Share capital	**Statutory reserve**	**Exchange reserve**	**Retained earnings**	**Special reserve**	**Other reserve**	**Total**
	RMB'000	RMB'000 *(Note (a))*	RMB'000	RMB'000	RMB'000 *(Note (b))*	RMB'000 *(Note (c))*	RMB'000
As at 1 January 2013 (audited)	46,938	29,167	2,344	147,717	(83)	5,800	231,883
Profit for the period	–	–	–	9,360	–	–	9,360
Other comprehensive expense for the period: Exchange differences arising on translation of foreign operations	–	–	(308)	–	–	–	(308)
Total comprehensive (expense) income for the period	–	–	(308)	9,360	–	–	9,052
Dividends recognised as distribution	–	–	–	(10,773)	–	–	(10,773)
As at 30 June 2013 (unaudited)	46,938	29,167	2,036	146,304	(83)	5,800	230,162
As at 1 January 2014 (audited)	**46,938**	**35,117**	**963**	**155,635**	**(83)**	**5,800**	**244,370**
Profit for the period	**–**	**–**	**–**	**6,472**	**–**	**–**	**6,472**
Other comprehensive income for the period: Exchange differences arising on translation of foreign operations	**–**	**–**	**23**	**–**	**–**	**–**	**23**
Total comprehensive income for the period	**–**	**–**	**23**	**6,472**	**–**	**–**	**6,495**
As at 30 June 2014 (unaudited)	**46,938**	**35,117**	**986**	**162,107**	**(83)**	**5,800**	**250,865**

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

Notes:

(a) Statutory reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after tax of the Group's subsidiaries in the People's Republic of China (the "**PRC**"). In accordance with the relevant laws and regulations of the PRC and the articles of association of the Group's PRC subsidiaries, they are required to appropriate 10% of their respective 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash generated from operations	**28,505**	2,780
Income tax paid	**(9,546)**	(5,972)
Net cash generated from (used in) operating activities	**18,959**	(3,192)
Net cash used in investing activities	**(29,907)**	(44,312)
Net cash generated from financing activities	**52,399**	60,596
Net increase in cash and cash equivalents	**41,451**	13,092
Cash and cash equivalents at 1 January	**30,949**	24,134
Effect of foreign exchange rate changes	**17**	(282)
Cash and cash equivalents at 30 June, represented by cash and bank balances	**72,417**	36,944

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Grand Concord International Holdings Limited (the "**Company**"), an investment holding company, was incorporated in the British Virgin Islands (the "**BVI**") with limited liability under the Business Companies Act of the BVI (2004) on 8 December 2010. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 24 November 2011. The address of the registered office is located at P.O. Box 3340, Road Town, Tortola, BVI and its principal place of business in Hong Kong is located at Unit B, 15/F., 78 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

Except as described below, the application of the above new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and / or disclosures set out in these condensed consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 for the first time in the current interim period. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with 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 have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 for the first time in the current interim period. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

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.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 for the first time in the current interim period. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13.

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

The Group has applied HK(IFRIC) – Int 21 for the first time in the current interim period.

HK(IFRIC) – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of the amendments to HK(IFRIC) – Int 21 will have no material impact to the Group.

3. SEGMENT INFORMATION

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

1) Innerwear products – manufacturing of innerwear and garments
2) Knitted fabrics – manufacturing of fabrics

The following tables present revenue, profit and expenditure information for the Group's reportable segments for the six months ended 30 June 2014 and 2013.

	Six months ended 30 June 2014		
	Innerwear products RMB'000 (Unaudited)	Knitted fabrics RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue			
External sales	108,714	96,283	204,997
Inter-segment revenue	13,088	23,725	36,813
Elimination	(13,088)	(23,725)	(36,813)
Group's revenue	108,714	96,283	204,997
Segment profit	5,025	11,812	16,837
Other income			216
Finance costs			(2,790)
Unallocated head office and corporate expenses			(3,220)
Profit before tax			11,043

3. SEGMENT INFORMATION *(Continued)*

	Six months ended 30 June 2013		
	Innerwear products RMB'000 (Unaudited)	Knitted fabrics RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue			
External sales	133,323	75,726	209,049
Inter-segment revenue	37,217	39,797	77,014
Elimination	(37,217)	(39,797)	(77,014)
Group's revenue	133,323	75,726	209,049
Segment profit	6,239	12,624	18,863
Other income			149
Finance costs			(1,945)
Unallocated head office and corporate expenses			(2,541)
Profit before tax			14,526

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Innerwear products	**170,243**	182,568
Knitted fabrics	**235,373**	181,099
Unallocated assets	**93,076**	41,678
Total assets	**498,692**	405,345

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	**216**	149
Sales of scrap material	**313**	339
Government subsidies	**–**	422
Exchange gain, net	**513**	–
Others	**89**	131
	1,131	1,041

5. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	**2,959**	2,019
Less: amounts capitalised in the cost of qualifying assets	**(169)**	(74)
	2,790	1,945

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax		
– Provision for the year	**5,230**	4,283
– Over provision in prior years	**(523)**	–
Withholding tax	**345**	883
Deferred tax	**(481)**	–
	4,571	5,166

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Salaries and other benefits	**40,076**	33,112
Contributions to retirement benefit scheme	**3,380**	2,898
Total staff costs (including directors' emoluments)	**43,456**	36,010
Auditors' remuneration	**–**	235
Cost of inventories recognised as an expense	**159,054**	161,171
Amortisation of prepaid lease payments	**158**	158
Allowance for inventories (included in cost of sales)	**320**	146
Depreciation of property, plant and equipment	**10,002**	9,846
Exchange difference, net	**(513)**	1,237
Reversals of allowance for inventories (included in cost of sales)	**–**	(326)
Loss on disposal of property, plant and equipment, net	**2,404**	16
Operating lease rentals in respect of rented premises	**244**	388

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to owners of the Company of approximately RMB6,472,000 (six months ended 30 June 2013: RMB9,360,000) and 380,000,000 ordinary shares in issue during the six months ended 30 June 2014.

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary share outstanding during the six months ended 30 June 2014 and 2013.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group disposed of certain plant and equipment with an aggregate carrying amount of approximately RMB3,551,000 (six months ended 30 June 2013: approximately RMB37,000), resulting in a net loss on disposal of approximately RMB2,404,000 (six months ended 30 June 2013: net loss on disposal of approximately RMB16,000).

During the six months ended 30 June 2014, the Group acquired approximately RMB26,658,000 (six months ended 30 June 2013: approximately RMB27,139,000) of property, plant and equipment.

11. DEPOSITS PAID TO ACQUIRE NON-CURRENT ASSETS

As at 30 June 2014, the Group did not pay deposits to acquire non-current assets.

As at 31 December 2013, the Group paid deposits of RMB4,980,000 to acquire certain property, plant and equipment for expansion and improvements of production facilities.

12. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period of 30 to 90 days to its trade customers. The aging analysis of the Group's trade receivables net of allowance for doubtful debts, based on the invoice date at the end of the reporting period, is presented as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
0 – 30 days	**60,204**	44,659
31 – 60 days	**20,159**	16,556
61 – 90 days	**6,330**	7,190
Over 90 days	**10,236**	1,228
	96,929	69,633

13. TRADE AND BILLS PAYABLES

The average credit period on purchase of raw materials granted by the Group's suppliers was from 30 to 120 days. The aging analysis of trade payables, based on the invoice date at the end of the reporting period, is presented as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
0 – 30 days	**62,509**	41,689
31 – 90 days	**29,631**	10,937
91 – 180 days	**2,287**	2,512
Over 180 days	**1,828**	435
	96,255	55,573

14. INTEREST-BEARING BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to approximately RMB157,000,000 (six months ended 30 June 2013: approximately RMB100,789,000) and repaid the bank borrowings amounting to approximately RMB101,811,000 (six months ended 30 June 2013: approximately RMB27,401,000).

15. SHARE CAPITAL

Authorised:

As at 30 June 2014 and 31 December 2013, the Company was authorised to issue a maximum of 1,000,000,000 shares with no par value.

Issued and fully paid:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
380,000,000 ordinary shares	**46,938**	46,938

16. CAPITAL COMMITMENTS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Amount contracted for but not provided in respect of acquisition of property, plant and equipment	**1,010**	6,478

17. PLEDGE OF ASSETS

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Prepaid lease payments	**12,563**	12,721
Buildings	**73,214**	28,832
Machinery	**11,117**	13,320
Restricted bank deposits	**18,071**	8,479
	114,965	63,352

18. MATERIAL RELATED PARTY TRANSACTIONS

(i) Balances:

The directors of the Company confirmed that there are no material balances due from / to related parties of the Company and the Group.

(ii) Transactions with related parties:

The directors of the Company confirmed that there are no material related party transactions entered into by the Company and the Group.

18. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(iii) Key management compensation:

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	**2,667**	2,897
Post-employment benefits	**29**	35
	2,696	2,932

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

19. EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2014 which would materially affect the Group's operating and financial performance as at the date of these unaudited condensed consolidated financial statements.

20. APPROVAL OF THE FINANCIAL STATEMENTS

These unaudited condensed consolidated financial statements were approved and authorised for issue by the board of directors on 26 August 2014.