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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The board (the "**Board**") of directors (the "**Directors**") of Grand Concord International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2014, together with the comparative figures for the corresponding year ended 31 December 2013, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014** *RMB'000*	2013 *RMB'000*
Revenue	3	**453,476**	543,788
Cost of sales		**(341,979)**	(422,006)
Gross profit		**111,497**	121,782
Other income and gains	4	**2,303**	3,253
Selling and distribution expenses		**(11,250)**	(22,828)
Administrative expenses		**(56,302)**	(54,597)
Finance costs	5	**(4,721)**	(3,252)
Profit before tax		**41,527**	44,358
Income tax expense	6	**(15,856)**	(19,983)
Profit for the year	7	**25,671**	24,375
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**(5)**	(1,381)
Other comprehensive expense for the year, net of income tax		**(5)**	(1,381)
Total comprehensive income for the year		**25,666**	22,994
Earnings per share:			
– Basic and diluted (RMB)	8	**0.07**	0.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**224,343**	200,288
Prepaid lease payments		**12,127**	12,424
Deposits paid to acquire non-current assets		**116**	4,980
Prepayment		**170**	391
Deferred tax assets		**427**	785
		237,183	218,868
CURRENT ASSETS			
Inventories	*10*	**54,385**	62,825
Trade and bills receivables	*11*	**80,467**	69,633
Prepayments and other receivables		**11,600**	14,294
Prepaid lease payments		**297**	297
Restricted bank deposits		**17,532**	8,479
Cash and bank balances		**51,925**	30,949
		216,206	186,477
CURRENT LIABILITIES			
Trade and bills payables	*12*	**64,269**	55,573
Accruals and other payables		**28,524**	25,967
Advance from customers		**1,914**	1,452
Interest-bearing borrowings		**88,208**	67,795
Income tax payables		**438**	5,190
		183,353	155,977
Net current assets		**32,853**	30,500
Total assets less current liabilities		**270,036**	249,368
NON-CURRENT LIABILITY			
Interest-bearing borrowings		**–**	4,998
NET ASSETS		**270,036**	244,370
CAPITAL AND RESERVES			
Share capital		**46,938**	46,938
Reserves		**223,098**	197,432
TOTAL EQUITY		**270,036**	244,370

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 ("**HKAS(s)**") and Interpretations ("**Int(s)**"), issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

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
Hong Kong (IFRS Interpretations Committee) ("**HK(IFRIC)**") – Int 21	Levies

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.

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

The Group has applied amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and 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.

As the Company is not an investment entity, the Directors consider that the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. 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 have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

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

The Group has applied amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. 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 have been applied retrospectively. The Directors consider that the application of the amendments to HKAS 36 has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* for the first time in the current year. The amendments to HKAS 39 introduce an exception to the requirements for the discontinuation of hedge accounting in HKAS 39 if specific conditions are met. The amendments to HKAS 39 state that the novation of a hedging instrument is not be considered an expiration or termination if the novation (a) is required by laws or regulations; (b) results in a central counterparty or an entity acting in a similar capacity becoming the new counterparty to each of the parties to the novated derivative and (c) does not result in changes to the terms of the original over-the-counter derivatives other than the changes directly attributable to the novation. For all other novations outside the scope of the exemption, an entity should assess if they meet the derecognition criteria and the conditions for continuation of hedge accounting.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC) – Int 21 Levies

The Group has applied HK(IFRIC) – Int 21 Levies for the first time in the current year. HK(IFRIC) – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by 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.

HK(IFRIC) – Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments[4]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 11	According for Acquisitions of Interests in Joint Operations[2]

1 Effective for annual periods beginning on or after 1 July 2014.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2017.
4 Effective for annual periods beginning on or after 1 January 2018.

The Directors anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include 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. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("**FVTOCI**") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. 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.

- 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.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- 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.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Directors anticipate that the adoption of HKFRS 9 (2014) 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

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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.

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.

Annual Improvement to HKFRSs 2012 – 2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below. The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The Directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012-2014 Cycle will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 19 Defined Benefit Plans – Employee Contributions

The amendments to HKAS 19 simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Specifically, contributions that are linked to services are attributed to periods of services as a negative benefit. The amendments to HKAS 19 specifies that such negative benefit are attributed in the same way as the gross benefit, i.e. attribute to periods of services under the plan's contribution formula or on a straight-line basis.

Besides, the amendments also state that if the contributions are independent of the number of years of employee service, such contributions may be recognised as a reduction of the service cost as they fall due.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 July 2014 with early application permitted.

The Directors anticipate that the application of the amendments to HKAS 19 will have no material impact on the Group.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

i) when the intangible asset is expressed as a measure of revenue;

ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group use straight-line method for depreciation of property, plant and equipment, the Directors do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define bearer plants. Biological assets that meet the definition of bearer plants are no longer accounted for under HKAS 41, but under HKAS 16 instead. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The amendments to HKAS 16 and HKAS 41 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

- As the Group does not have any biological assets, the Directors do not anticipate that the application of the amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

i) at cost;

ii) in accordance with HKFRS 9 (or HKAS 39); or

iii) using the equity method as described in HKAS 28.

The amendments to HKAS 27 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

As the Company does not have any investment in associates or joint ventures, the Directors do not anticipate that the application of the amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments provide guidance on addressing the acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28, in dealing with the sale or contribution of assets between an investor and its joint venture and associate. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that constitutes or contains a business to a joint venture or associate in full. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that does not constitute or contain a business to a joint venture or associate only to the extent of the unrelated investors' interests in that joint venture or associate.

The amendments to HKFRS 10 and HKAS 28 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Company does not have any investment in joint operations, the Directors do not anticipate that the application of the amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 11 Accounting for Acquisition of Interests in Joint Operations

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business as defined in HKFRS 3 *Business Combination*. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Company does not have any investment in joint operations, the Directors do not anticipate that the application of the amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments clarify the requirements when accounting for investment entities as well as provide relief in particular circumstances, which will reduce the costs of applying the Standards. Specifically, a parent entity that is a subsidiary of an investment entity is exempted from preparing consolidated financial statements. A parent entity which is also a subsidiary of an investment entity and hold interests in associates and joint ventures is exempted from applying equity method if it meets all the conditions stated in paragraph 4(a) of HKFRS 10.

Besides, the amendments clarify if an investment entity has a subsidiary that is not itself an investment entity and whose main purpose and activities are providing investment-related services that relate to the investment entity's investment activities to the entity or other parties, it should consolidate that subsidiary. If the subsidiary that provides the investment-related services or activities is itself an investment entity, the investment entity parent should measure that subsidiary at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when apply the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

Furthermore, if a parent that is an investment entity and has measured all of its subsidiaries at fair value through profit or loss, that investment entity should present the disclosures relating to investment entities required by HKFRS 12 in its financial statements. If an investment entity has consolidated its subsidiary in which the subsidiary itself is not an investment entity and whose main purpose and activities are providing services that relate to the investment activities of its investment entity parent, the disclosure requirements in HKFRS 12 apply to financial statements in which the investment entity consolidates that subsidiary.

The amendments to HKFRS 10, HKFRS 12 and HKAS 28 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

As the Company does not have any investments in investment entities, the Directors do not anticipate that the application of the amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The Directors anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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:

	2014	2013
	RMB'000	*RMB'000*
Innerwear products	**262,305**	360,720
Knitted fabrics	**191,171**	183,068
	453,476	543,788

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

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**	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Japan	**214,684**	229,182	**–**	–
The PRC (country of domicile)	**223,949**	221,243	**236,756**	218,083
United States	**7,722**	93,093	**–**	–
Others	**7,121**	270	**–**	–
	453,476	543,788	**236,756**	218,083

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:

	2014	2013
	RMB'000	*RMB'000*
Customer A *(note (a))*	**100,899**	131,074
Customer B *(note (b))*	**43,396**	68,642
Customer C *(note (a))*	**N/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.

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. OTHER INCOME AND GAINS

	2014	2013
	RMB'000	*RMB'000*
Interest income	**687**	450
Sales of scrap materials	**846**	198
Penalty income from suppliers	**39**	73
Insurance compensation	**–**	96
Development and design income for samples	**349**	352
Government grants *(note a)*	**–**	1,589
Exchange gains	**295**	370
Others	**87**	125
	2,303	3,253

Note:

(a) For the year ended 31 December 2013, 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 was directly recognised in profit or loss. The government subsidies have no specified conditions that the Group has to fulfill nor specified usage.

5. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**6,593**	5,152
Less: amounts capitalised in the cost of qualifying assets	**(1,872)**	(1,900)
	4,721	3,252

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.3% (2013: 5.9%) per annum to expenditure on qualifying assets.

6. INCOME TAX EXPENSE

	2014	2013
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax (the "**EIT**")		
– Provision for the year	**14,629**	19,059
– Under-provision in prior years	**523**	537
Withholding tax	**347**	613
Deferred tax	**357**	(226)
	15,856	19,983

(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 2014 and 2013.

For the years ended 31 December 2014 and 2013, 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 2014 and 2013.

(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 2014, in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB223,154,000 (2013: RMB192,102,000) 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.

7. PROFIT FOR THE YEAR

	2014	2013
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Salaries and other benefits	**78,431**	85,956
Contributions to retirement benefit scheme	**7,056**	5,946
Total staff costs (including directors' emoluments)	**85,487**	91,902
Auditor's remuneration	**638**	616
Amortisation of prepaid lease payments	**297**	297
Cost of inventories recognised as an expense	**341,979**	421,116
Depreciation of property, plant and equipment	**22,732**	20,905
Exchange difference, net	**14**	3,035
Net loss on disposal of property, plant and equipment	**2,500**	54
Research expenditure	**–**	495
Operating lease rentals in respect of rented premises	**1,495**	1,218

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2014 is based on the profit attributable to owners of the Company of approximately RMB25,671,000 (2013: RMB24,375,000) and the weighted average of 380,000,000 ordinary shares (2013: 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 2014 and 2013.

9. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of HK2 cents per share (2013: Nil per share) in respect of the year ended 31 December 2014 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

10. INVENTORIES

	2014	2013
	RMB'000	*RMB'000*
Raw materials	**23,578**	27,421
Work-in-progress	**21,757**	23,310
Finished goods	**9,050**	12,094
	54,385	62,825

11. TRADE AND BILLS RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade and bills receivables	**80,506**	69,672
Less: allowance for doubtful debts	**(39)**	(39)
	80,467	69,633

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. 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 is as follows:

	2014	2013
	RMB'000	*RMB'000*
0 – 30 days	**42,035**	44,659
31 – 60 days	**13,568**	16,556
61 – 90 days	**11,767**	7,190
Over 90 days	**13,097**	1,228
	80,467	69,633

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB15,048,000 (2013: RMB6,851,000) 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.

12. 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:

	2014	2013
	RMB'000	*RMB'000*
0 – 30 days	**41,803**	41,689
31 – 90 days	**20,571**	10,937
91 – 180 days	**1,233**	2,512
Over 180 days	**662**	435
	64,269	55,573

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.

The bills payables are secured by restricted bank deposits.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Global economy had a modest recovery in 2014 whereas China had a steady but slower growth, suggesting an increasingly complicated macroeconomic environment with lingering downward risks. In the United States, favourable industry restructuring and stable expansionary monetary policies slowly lifted the economy. In Europe, high-income countries led by Germany maintained robust growth, paving the way for a recovery across the Eurozone. However, other European regions were unable to gain growth momentum in the short-term due to the aftermath of the debt crisis and its resulting geopolitical impact. In Asia, especially China, managed to sustain moderate growth under the micro stimulus from the government economic policies.

China's exports maintained good growth momentum during the year 2014. According to the General Administration of Customs of the PRC, dragged by negative growth of annual total textile and apparel exports in November and December, China's aggregate total textile and apparel exports amounted to approximately RMB1,833.337 billion in 2014, representing a slight year-on-year increase of 5.09%, and textile exports amounted to approximately RMB688.797 billion, moderately up by 4.9% year on year. It was optimistic that China's domestic consumer market had started to grow steadily since the end of 2014, with a year-on-year increase of 10.9% of total retail sales of social consumer goods with regard to apparel, footwear, hats and knitting. It is expected that China's textile and apparel industry will be able to withstand the impact of fluctuation of the external economy with the growth of domestic consumption and exports.

China's textile industry remained weak. As the PRC government cancelled its national cotton temporary reserve policy and did not have a detailed full scale of direct subsidies policy in place, the cotton textile industry experienced a period of uncertainty and sluggish growth in the first half of 2014. From 2012 to 2014, medium-to-low end orders shifted to Southeast Asia, Bangladesh and even West African countries where the costs of raw materials, labour and the tax rates were lower. Since January 2015, with stronger USD against RMB, China's textile and apparel export industry has encountered increasing difficulties, and the costs in respect of export order intake were 10% compared to that of previous days. Given various unfavourable factors, the growth rate of China's textile industry production was slower in 2014 compared to the previous year. According to the statistics of National Bureau of Statistics of China, the year-on-year growth rate of the added value of the textile industry production in 2014 was only 7.4%, down from 8.7% of the previous year. The slowdown in growth of the textile industry production was mainly attributable to the general decline in output growth of major categories of products, such as fiber, yarn, cloth and apparel.

BUSINESS REVIEW

During the year under review, the Group has geared up and prepared for the upcoming growth in demands for functional fabrics and functional innerwear. Despite a challenging operating environment, the Group continued to invest in advanced and environmental-friendly production machinery to further improve production efficiency, and optimise the allocation of labour during its production process in order to cope with the increasing labour costs and provide the Group with a pragmatic production base. In the meantime, the Group further devoted itself to the research and development of new products and enhancement of the environmental protection quality of its functional fabrics products catering for the rapidly expanding market demand in leisure, home and sports markets.

In order to increase business profitability in the long run, the Group has started to restructure its existing customer base by cutting back orders with low gross margin from customers in the United States, and proactively building a bigger quality customer base during the year under review. The Group looked forward to attracting more customers across the world in the coming years and actively promoting quality functional fabrics and innerwear products in those markets, which will further increase the gross margin of the Group. To seize the growth momentum in China, the Group will continue to strongly promote domestic sales. During the year under review, the Group recorded a net profit growth of 5.3% to RMB25.7 million (2013: RMB24.4 million) despite a fall in turnover of approximately 16.6% to RMB453.5 million, which proved that the Group was able to cope with challenges arising from downward product prices in the domestic market, and to maintain a stable gross margin.

During the year under review, the revenue attributed from functional fabrics and functional innerwear were RMB179.5 million and RMB200.1 million, respectively. In order to expand its market share, the Group was actively identifying new customers in the European market and secured orders from Asian customers that demand for quality functional fabrics and innerwear products. Japan remained the Group's major exporting country. Meanwhile, the performance of domestic functional fabrics market was encouraging and showed signs of room for further development. The Group, as a vertically integrated manufacturer of functional fabrics and innerwear products, 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.

With the increasing awareness of environmental protection, there is a global response to utilising environmental friendly and healthy "**green**" functional fabrics to manufacture clothings, and emphasising on quality and functional fabrics. Driven by the demand for "**Home ECO**" (home environment protection) merchandise which was prevalent in Japan, the Group's major products, functional fabrics and functional innerwear, successfully recorded steady growth during the year under review. The Group noted that there are growing demands on the quality, function and design of innerwear products from consumers, which are driving their buying intention. Apart from that, the growing acceptance of high quality innerwear products, especially lingerie, in developing countries has sparked growth in demand. According to Frost & Sullivan Report, the retail revenue of the global lingerie market is expected to grow from US$65.7 billion in 2012 to US$82.1 billion in 2016, with a huge expansion in China's market share. During the year under review, the Group continued to maintain long-term and stable business relationships with a couple of apparel and innerwear brands. The Group will actively explore its business of functional fabrics and functional innerwear products to seize the opportunities.

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 2014, with corresponding comparative figures for the year ended 31 December 2013:

	Year ended 31 December			
	2014	**2014**	2013	2013
	RMB'000	***%***	*RMB'000*	*%*
Knitted fabrics				
General fabrics	**11,626**	**2.6**	11,877	2.2
Functional fabrics	**179,545**	**39.6**	171,191	31.5
Sub-total	**191,171**	**42.2**	183,068	33.7
Innerwear products				
General innerwear	**62,239**	**13.7**	153,514	28.2
Functional innerwear	**200,066**	**44.1**	207,206	38.1
Sub-total	**262,305**	**57.8**	360,720	66.3
Total	**453,476**	**100.0**	543,788	100.0

For the year ended 31 December 2014, the Group recorded a revenue of approximately RMB453.5 million (2013: RMB543.8 million), representing a decrease of approximately RMB90.3 million, or approximately 16.6%. The sales volume of general fabrics, functional fabrics, general innerwear and functional innerwear for the year ended 31 December 2014 were approximately 273 tons, 2,139 tons, 4.4 million pieces and 12.2 million pieces respectively (2013: approximately 200 tons, 2,176 tons, 14.8 million pieces and 11.4 million pieces respectively). The decrease of revenue was mainly due to the decrease in sales of general innerwear products from approximately RMB153.5 million in 2013 to approximately RMB62.2 million in 2014.

Sales of knitted fabrics amounted to approximately RMB191.2 million (2013: RMB183.1 million) representing approximately 42.2% (2013: 33.7%) of the total revenue for the year ended 31 December 2014. The increase in sales of knitted fabrics was mainly contributed by the increase in sales of functional fabrics products. Although the sales volume of functional fabrics products decreased slightly from 2,176 tons in 2013 to 2,139 tons in 2014, the total sales increased to approximately RMB179.5 million (2013: RMB171.2 million) as the unit selling price in 2014 increased. The increase in the unit selling price and the total sales of knitted fabrics was mainly due to the Group's effort to promote the functional fabrics products. Sales to branded customers increased for the year ended 31 December 2014 and those customers are targeting functional fabrics with new and advanced functions and better quality fabrics. As the above mentioned functional fabrics products have a higher average unit selling price, the overall unit selling price of functional fabrics increased.

Sales of innerwear products amounted to approximately RMB262.3 million (2013: RMB360.7 million), representing approximately 57.8% (2013: 66.3%) of the total revenue for the year ended 31 December 2014. The decrease in sales of innerwear products in the amount of approximately RMB98.4 million, or approximately 27.3%, for the year ended 31 December 2104 was mainly due to the decrease in sales of general innerwear to US customers in 2014. The sales volume of innerwear products decreased from approximately 26.2 million pieces in 2013 to approximately 16.6 million pieces in 2014. The sales volume as well as the sales of general innerwear products decreased by approximately 10.4 million pieces and RMB91.3 million to 4.4 million pieces and RMB62.2 million as compared to 2013 (2013: 14.8 million pieces and RMB153.5 million). As the profit margin of the general innerwear products was relatively lower than that of the functional innerwear products, during the year, the Group has given up certain customers of general innerwear products to focus on the customers of the functional innerwear products. The sales volume of functional innerwear products increased to approximately 12.2 million pieces in 2014 (2013: 11.4 million pieces).

Cost of sales

Cost of sales decreased by approximately 19.0% from approximately RMB422.0 million for the year ended 31 December 2013 to approximately RMB342.0 million for the corresponding year ended in 2014. However, the average unit production costs of innerwear products and knitted fabrics of the Group in 2014 were higher than that in 2013, which was mainly due to the increase in average unit cost for raw material 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 RMB84.0 million outweighed the increase in cost of sales of functional innerwear products and knitted fabrics products with total amount of approximately RMB4.0 million. Thus, the overall cost of sales of the Group for the year ended 31 December 2014 decreased.

Gross profit and gross profit margin

Gross profit decreased by approximately RMB10.3 million, or approximately 8.4%, from approximately RMB121.8 million for the year ended 31 December 2013 to approximately RMB111.5 million for the corresponding year ended in 2014. The Group's gross profit margin increased from approximately 22.4% for the year ended 31 December 2013 to approximately 24.6% for the corresponding year ended in 2014 mainly due to the change in products mix resulted from the change in customers portfolio. Sales of functional innerwear and fabrics products with higher gross profit margin represented 83.7% of the total sales in 2014 (2013: 69.6%).

The Group's gross profit and gross profit margins by products for the year ended 31 December 2014, with corresponding comparative figures for the year ended 31 December 2013:

	Year ended 31 December			
	2014	**2014**	2013	2013
	Gross profit	**Gross profit margins**	Gross profit	Gross profit margins
	RMB'000	***%***	*RMB'000*	*%*
Knitted fabrics				
General fabrics	**1,215**	**10.5**	1,620	13.6
Functional fabrics	**42,863**	**23.9**	42,790	25.0
Sub-total	**44,078**		44,410	
Innerwear products				
General innerwear	**6,940**	**11.2**	14,170	9.2
Functional innerwear	**60,479**	**30.2**	63,202	30.5
Sub-total	**67,419**		77,372	
Total	**111,497**	**24.6**	121,782	22.4

Other income and other gains

Other income and other gains amounted to approximately RMB2.3 million (2013: RMB3.3 million) for the year ended 31 December 2014 which were mainly interest income, sample sales income and sales of scarp materials. The decrease in other income and other gains was mainly due nil government grants were received by the PRC subsidiaries in 2014 (2013: approximately RMB1.6 million). Please refer to note 4 to the consolidated financial statements for details.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB11.6 million to approximately RMB11.3 million (2013: RMB22.8 million) for the year ended 31 December 2014, primarily due to the decrease of transportation cost from approximately RMB8.4 million in 2013 to approximately RMB2.4 million in 2014. In 2013, the Group incurred transportation expense for shipping the products to certain US customers. The decrease in transportation cost was mainly due to the termination of sales to those US customers in 2014.

Administrative expenses

Administrative expenses increased 3% to approximately RMB56.3 million (2013: RMB54.6 million) for the year ended 31 December 2014. The increase in administrative expenses was mainly due to the increase in salaries and welfare of approximately RMB4.5 million for the administrative staff.

Finance costs

Finance costs increased to approximately RMB4.7 million (2013: RMB3.3 million) for the year ended 31 December 2014 primarily due to the Group's increase in average bank borrowing during 2014.

Profit before tax

The Group's profit before tax decreased to approximately RMB41.5 million (2013: RMB44.4 million) for the year ended 31 December 2014 primarily due to the decrease in revenue and gross profit.

Income tax expense

Income tax expense decreased by RMB4.1 million to approximately RMB15.9 million (2013: RMB20.0 million) for the year ended 31 December 2014. The Group's effective tax rate for the year ended 31 December 2014 was approximately 38.2%, as compared to approximately 45.0% for the corresponding year in 2013. The decrease in effective tax rate was due to less tax loss not recognised in the Group's subsidiaries for the year ended 31 December 2014 when comparing to the year ended 31 December 2013.

Profit for the year and profit margin

The Group's profit for the year increased by approximately RMB1.3 million, or approximately 5.3%, from approximately RMB24.4 million for the year ended 31 December 2013 to approximately RMB25.7 million for the corresponding year in 2014. Profit margin was approximately 5.7% for the year ended 31 December 2014 (2013: 4.5%).

Inventories

The inventory balances decreased to approximately RMB54.4 million as at 31 December 2014 (2013: RMB62.8 million). As the sales and production volume in the year 2014 decreased, to better manage the inventory risk, the Group has retained less inventories as at 31 December 2014.

The average inventory turnover days increased to approximately 63 days (2013: 48 days) for the year ended 31 December 2014 as the production and sales of functional products, which have a relatively longer production lead-time than general products, increased in 2014.

Trade and bills receivables

Trade receivables increased to approximately RMB80.5 million (2013: RMB69.6 million) as at 31 December 2014, 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 61 days (2013: 45 days) for the year ended 31 December 2014 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 RMB64.3 million (2013: RMB55.6 million) as at 31 December 2014. The average turnover days for trade payables slightly increased to approximately 64 days (2013: 42 days) for the year ended 31 December 2014 which were in line with the trade credit periods given by the suppliers of the Group.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sale of its products and bank borrowings. As at 31 December 2014, the Group's current ratio (calculated as current assets divided by current liabilities) was 1.18 (as at 31 December 2013: 1.20). As at 31 December 2014, the Group had cash and cash equivalents of approximately RMB51.9 million (as at 31 December 2013: RMB30.9 million) and short-term bank loans of approximately RMB88.2 million (as at 31 December 2013: RMB67.8 million). As at 31 December 2014, 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 19.5%, as compared to approximately 18% as at 31 December 2013.

As at 31 December 2014, the Group had no fixed rate bank loans (2013: Nil) and variable rate bank loans of approximately RMB88.2 million (2013: RMB72.8 million). The effective interest rates on the Group's variable-rate bank borrowings ranged from 5.6% to 8.96% per annum as at 31 December 2014 (2013: variable-rate: 6.30% 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 is 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 will 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 2014, the Group had no material contingent liabilities.

Charges on group assets

As at 31 December 2014, the Group's bank loans were secured by the Group's machinery, buildings and land use rights of carrying amounts of approximately RMB11.7 million, RMB79.9 million and RMB12.4 million, respectively (as at 31 December 2013: RMB13.3 million, RMB28.8 million and RMB12.7 million, respectively). As at 31 December 2014, the Group also pledged its bank deposits of approximately RMB17.5 million (as at 31 December 2013: RMB8.5 million) to secure short-term bills payables.

HUMAN RESOURCES

As at 31 December 2014, 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

The Board has recommended the payment of a final dividend of HK2 cents per share of the Company for the year ended 31 December 2014 (2013: Nil) representing a payout ratio of 29.6% of profit attributable to shareholders. Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be payable on or about 19 June 2015 to shareholders whose names appear on the register of members of the Company on 29 May 2015.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not engage in any material acquisitions or disposals during the year ended 31 December 2014.

PROSPECT

In recent years, with the rise of living standards, the concept of consumption was being changed. Since the launching of 12th five-year Plan, which aims to build China a textile power, the country has fully implemented all tasks required by "50+110" in the "Outline for Science & Technology Progress of Textile Industry in the 12th Five-Year Plan Period". A significant progress in the technology within the industry has been made, and core competitiveness has greatly improved. It was also explicitly indicated in the plan issued at the 18th National Congress of the Communist Party of China that importance be placed on the functional textile industry. With the wide-spread application of functional textile products, their usage has increased substantially in recent years. According to the statistics, the current global sales of functional fabrics has reached roughly USD50.0 billion annually, and the domestic demand in China for textile products amounted to RMB50.0 billion. It is expected that sales of high value-added textile products, especially functional textile products, will expand by 3.8% annually in the future, and with the launching of new technologies and products, the industry outlook remains positive.

In the context of energy saving and emissions reduction, global customers are paying more attention to a healthy and environmental-friendly lifestyle with low carbon emission, and the position of functional fabrics and innerwear products embodying this concept is ascending. For the research and development of functional fabrics, the Group has devoted itself to exploring new products and enhancing environmental protection quality of its products. In view of an enormous market for new products under research and development featuring, among other things, comfort, regeneration, environmental protection, antibiotic and negative ion, the Group believes innovative ideas will create new opportunities.

For further business expansion and promotion of environmental-friendly functional fabrics, the Group will continue to penetrate into new regions and markets and to optimise its customer mix. It is anticipated that increasing orders from such new markets allows the Group to have access to higher profit margin. Focusing on more stable markets, such as China and Japan, the Group expects to proactively seek orders from rapidly-developing European and emerging countries with its rich experience and high reputation within the industry in order to boost total production and sales of functional fabrics.

For future development, the Group will continue to pragmatically expand its production capacity, upgrade its equipment, improve its production automation capabilities and adopt more advanced production technologies. The Group will strenuously work on raising its production efficiency and lowering its operating costs, and will grow its production capacity to keep pace with the Group's development. It is the goal to bring more significant economic benefits upon scale expansion in the future. The Group also considers gradual development of its own apparel and fabric brands, to better leverage its advantage as a one-stop provider in order to capture market opportunities and to achieve breakthroughs in its future growth.

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 2014.

CORPORATE GOVERNANCE PRACTICES

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of its shareholders. 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 2014, 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.

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 2014.

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 the year ended 31 December 2014 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.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in the preliminary announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Friday, 22 May 2015. A notice convening the annual general meeting will be published and despatched to shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 20 May 2015 to Friday, 22 May 2015, both dates inclusive, during which period no transfer of shares will be registered. Shareholders are reminded that in order to qualify for attendance at the annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 19 May 2015.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the website of the Company at www.grandconcord.com. The Company's annual report for the year 2014 will be available at the same websites and will be despatched to the Company's shareholders in due course.

By order of the Board
Grand Concord International Holdings Limited
Wong Kin Ling
Chairman

Hong Kong, 26 March 2015

As at the date of this announcement, the Board 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.