INTERIM REPORT 2015

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

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wong Kin Ling
Madam Hung Kin
Mr. Wang Shao Hua
Mr. Feng Yongming
(appointed with effect from 30 April 2015)

NON-EXECUTIVE DIRECTOR

Mr. Wei Jin Long
(redesignated with effect from 23 June 2015)

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:
Locke Lord

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
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Kowloon
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN 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	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Key Financial Information		
Revenue	**169,764**	204,997
Gross profit	**31,558**	45,943
Profit/(loss) before tax	**(19,262)**	11,043
Profit/(loss) for the period	**(19,702)**	6,472
Total comprehensive income/(expense) for the period	**(19,903)**	6,495

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Non-current assets	**231,798**	237,183
Current assets	**252,818**	216,206
Current liabilities	**196,686**	183,353
Net current assets	**56,132**	32,853
Total assets	**484,616**	453,389
Total assets less current liabilities	**287,930**	270,036
Total equity	**287,930**	270,036
Cash and cash equivalents	**95,479**	69,457

KEY FINANCIAL RATIOS

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Gross profit margin	**18.6%**	22.4%
Net profit/(loss) margin	**(11.6)%**	3.2%
Trade receivables turnover days	**84**	74
Inventory turnover days	**80**	78

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
Gearing ratio(1)	**21.4%**	19.5%
Current ratio(2)	**1.3**	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			
	2015 RMB'000	**2015 %**	2014 RMB'000	2014 %
Knitted fabrics				
General fabrics	**4,804**	**2.8**	5,636	2.7
Functional fabrics	**66,627**	**39.3**	90,647	44.2
Sub-total	**71,431**	**42.1**	96,283	46.9
Innerwear products				
General innerwear	**21,113**	**12.4**	27,009	13.2
Functional innerwear	**77,220**	**45.5**	81,705	39.9
Sub-total	**98,333**	**57.9**	108,714	53.1
Total	**169,764**	**100.0**	204,997	100.0

REVENUE OF THE GROUP ANALYSED BY REGIONAL DISTRIBUTION

	Six months ended 30 June			
	2015 RMB'000	**2015 %**	2014 RMB'000	2014 %
Japan	**77,267**	**45.5**	91,676	44.7
PRC	**81,888**	**48.2**	104,486	51.0
United States	**10,609**	**6.3**	8,835	4.3
Total	**169,764**	**100.0**	204,997	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The market environment of the textile industry in China was not favorable in 2014. The industry growth started to slow down, inducing more operating pressure to enterprises. China's textile industry belongs to the consumer goods sector, which is closely related to the development of the macro-economy of China. The slacking growth of the economic development will ultimately hinder the growth of industry demand. In the first half of 2015, domestic demand remained sluggish even after the implementation by the PRC government of large-scale measures aiming to stimulate the economy, resulting in a continuously weakened demand growth. At the same time, the continuously tense competition for domestic resources led to the unceasing rise in production cost, including labour cost and raw material prices, causing the business environment more challenging. The rapid change in consumer preference in personalised and unique products also created more pressure for enterprises to diversify their product mix. The various changes in the market caused capacity to be unutilised in some sectors, which in turn led enterprises to lower the price and gross profit of textile products and imposed unprecedented obstacles for the healthy development of the industry.

Apart from the domestic factors, the impact of the external market was also significant. A negative growth was recorded in China's textile and apparel exports and imports in the first quarter of 2015. Even in the second quarter of 2015, the situation remained severe for China's textile and apparel exports. On one hand, more time is required for the demand from major markets including Europe, US and Japan, which suffer from stagnant economic situation, to recover and revive. On the other hand, the significant devaluation of international currencies during the period under review, especially Japanese yen, undermined consumers' sentiment in these countries and hence lowered the overall exports of China due to the relative appreciation of Renminbi. Factors including the shift of export orders also delayed the recovery of exports. The prospect of exports was still gloomy.

BUSINESS REVIEW

The Group, as a vertically integrated manufacturer of functional fabrics and innerwear products, is currently a supplier of functional fabrics for many famous brands in the world and an OEM innerwear supplier for numerous major international clothing brands. Influenced by various unfavourable factors in the market, the overall operating performance of the Group retreated during the period under review. The total turnover of the Group dropped by approximately 17.2% to RMB169.8 million and a loss for the period of RMB19.7 million was recorded (same period in 2014: the profit for the period of RMB6.5 million). During the period under review, the revenue attributed from functional fabrics and functional innerwear were RMB66.6 million and RMB77.2 million respectively. The Group, being a well-established innerwear products and knitted fabrics manufacturer, has been recognised and supported by the capital market. During the period under review, the Group successfully completed the placing of the convertible bonds in the aggregate principal amount of up to HKD50 million bearing interest of 6% per annum (the "**Convertible Bonds**") in May 2015 and the net proceeds of HKD46.5 million will be used as its general working capital. The completion of the placing of the Convertible Bonds greatly enhances the liquidity of the Group and is an important support for the Group's future development.

The Convertible Bonds represent a combined financial instrument containing two components: (i) a bond liability and (ii) an embedded derivative representing a conversion option in foreign currency. In accordance with HKFRS, a bond liability of RMB36.1 million was recognised and the liability under the embedded conversion option of RMB14.5 million was recognised at the initial recognition date.

As at 30 June 2015, the bond liability and the liability under the embedded conversion option were RMB4.1 million and RMB2.3 million, respectively and the Group recognised a loss of RMB13.8 million on changes in fair value of the derivative financial instrument for the six months ended 30 June 2015 (2014: Nil).

The Directors nevertheless believe that the HKFRS accounting treatment of the conversion option of the Convertible Bonds does not reflect the expected outflow of resources under the conversion rights. The conversion option, whether exercised or expired, will not result in cash outflow of the Group. Additionally, the accounting treatment of the conversion option requires that changes in fair value of the embedded instrument be recognised in the consolidated statement of profit or loss and other comprehensive income. The price and volatility of the Company's share have significant impact on fair value of the embedded derivative. In the event that the share price perform well, the liability under the conversion option will increase and result in losses in the consolidated statement of profit or loss. Changes in fair value may be material in comparison to the Group's net loss or profit and may cause distortions in the consolidated statement of profit or loss and other comprehensive income.

Despite a challenging operating environment in the first half of 2015, the Group made every effort to develop its functional fabrics and functional innerwear business. To strengthen the Group's production base and ability to cope with the rapid changing market environment, the Group continued to invest in advanced and environmentally friendly production machinery for higher automation efficiency, and further streamline and optimise the allocation of labour during its production process in order to minimise the impact of the increasing labour costs. In the meantime, the Group continued its devotion to the research and development of functional fabrics products, aiming at developing diversified new products with unique functions. The Group also continuously enhanced the environmental protection quality of its products to cater for the rapidly expanding market demand in the leisure, home and sports markets.

In order to increase business profitability in the long run, the Group resolved to restructure its existing customer mix by cutting down orders with low gross margin from customers in the United States at the end of last year, and by focusing its resources in exploring and building a higher quality customer base during the period under review. The economic performance of Japan, one of the valued markets of the Group, was disappointing during the period under review. The large-scale devaluation of Japanese yen had an immediate impact on customers' intention to place orders abroad, which significantly undermined the Group's revenue attributed from functional fabrics and apparel in the region. The Group has always been a good partner of its customers. To share the hard times with the customers, the Group has made moderate adjustments on the prices of all its products, resulting in a decline in turnover and gross profit in the period. Nevertheless, the Group believes that this can strengthen its relationships with its major customers and is beneficial to the Group's development in Japan and other Southeast Asian regions in the long term. As for China, although there is good potential in the market development of functional fabrics, only an average performance was achieved in the period under review due to weak consumer spending. Nonetheless, the Group continued to promote domestic sales during the period under review to maximise the potential of the growing functional fabrics and environmentally friendly apparel market. When the overall operating environment is improved, the Group will actively look for new customers from the European market to expand its geographical coverage. The Group looks forward to attracting more quality customers across the world with its good quality products and reputation, so as to further enhance its customer and product mix and maximise its gross profit margin.

With the increasing awareness of environmental protection and demand for diversified products that are environmentally friendly, fashionable and functional, the Group is optimistic about utilising environmental friendly and healthy "green" functional fabrics to manufacture fabrics that emphasise on quality and functions. In addition, there are growing demands for the quality, function and design of innerwear products from consumers, therefore "green" apparel will be the focus of development in the future. In addition, the demand for high quality innerwear products, including men's innerwear and women's lingerie, was increasing in developing countries, which sparked growth in demand. The Group will leverage on its outstanding and advanced product research and development capabilities to develop products that are fashionable, functional and environmentally friendly and make every effort to promote environmentally friendly "green" fabrics. During the period 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 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 six months ended 30 June 2015, with corresponding comparative figures for 2014:

	Six months ended 30 June			
	2015		2014	
	RMB'000	**%**	RMB'000	%
Knitted fabrics				
General fabrics	**4,804**	**2.8**	5,636	2.7
Functional fabrics	**66,627**	**39.3**	90,647	44.2
Sub-total	**71,431**	**42.1**	96,283	46.9
Innerwear products				
General innerwear	**21,113**	**12.4**	27,009	13.2
Functional innerwear	**77,220**	**45.5**	81,705	39.9
Sub-total	**98,333**	**57.9**	108,714	53.1
Total	**169,764**	**100.0**	204,997	100.0

For the six months ended 30 June 2015, the Group recorded a revenue of approximately RMB169.8 million (2014: RMB205.0 million), representing a decrease of approximately RMB35.2 million, or approximately 17.2%, as compared with that for the corresponding period in 2014. The sales volume of general fabrics, functional fabrics, general innerwear and functional innerwear for the six months ended 30 June 2015 were approximately 101 tons, 930 tons, 1.9 million pieces and 5.6 million pieces respectively (2014: 107 tons, 1,261 tons, 2.4 million pieces and 5.8 million pieces respectively). The decrease in revenue was mainly due to the decrease in the unit selling price as well as sales volume of the Group's products.

Sales of knitted fabrics amounted to approximately RMB71.4 million (2014: RMB96.3 million) representing approximately 42.1% (2014: 46.9%) of the total revenue for the six months ended 30 June 2015. The decrease in sales of knitted fabrics was mainly due to the slowdown in economic growth in China. The sales volume and sales of functional knitted fabrics decreased by approximately 26.2% and 26.5% to approximately 930 tons and RMB66.6 million for six months ended 30 June 2015 (2014: 1,261 tons and RMB90.6 million). Due to the decrease in sales of functional fabrics products, the overall sales volume of knitted fabrics decreased by approximately 24.6% from approximately 1,368 tons for the six months ended 30 June 2014 to approximately 1,031 tons in the same period of 2015.

Sales of innerwear products amounted to approximately RMB98.3 million (2014: RMB108.7 million), representing approximately 57.9% (2014: 53.1%) of the total revenue for the six months ended 30 June 2015. The decrease in the sales of innerwear products in the amount of approximately RMB10.4 million, or approximately 9.6%, for the six months ended 30 June 2015 as compared with that in the corresponding period in 2014 was mainly due to the decrease in sales of both general and functional innerwear for the six months ended 30 June 2015. The sales volume of innerwear products decreased from approximately 8.2 million pieces for the six months ended 30 June 2014 to approximately 7.4 million pieces for the same period in 2015. The sales volume as well as the sales of functional innerwear products decreased by approximately 0.2 million pieces and RMB4.5 million to approximately 5.6 million pieces and RMB77.2 million for the six months ended 30 June 2015 (2014: 5.8 million pieces and RMB81.7 million). The decrease in the sales of functional innerwear was mainly due to the stagnant economic situation in Japan. Japanese market was the largest sales channel of the Group's functional innerwear products. In view of the economic situation in Japan, the demand in the Group's functional innerwear products slightly decreased causing the decrease in sales volume for the six months ended 30 June 2015.

Cost of sales

Cost of sales decreased by approximately 13.1% from approximately RMB159.1 million for the six months ended 30 June 2014 to approximately RMB138.2 million for the corresponding period in 2015. However, the average unit production costs of innerwear products and knitted fabrics of the Group for the first six months of 2015 were higher than that over the same period in 2014, which was mainly due to the increase in average unit manufacturing overhead. The decrease in overall cost of sales was mainly due to the decrease in sales volume of the Group's products.

Gross profit and gross profit margin

Gross profit decreased by approximately RMB14.4 million, or approximately 31.3%, from approximately RMB45.9 million for the six months ended 30 June 2014 to approximately RMB31.6 million for the six months ended 30 June 2015 as a result of the 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 decreased from approximately 22.4% for the six months ended 30 June 2014 to approximately 18.6% for the corresponding period in 2015.

The following table sets forth the Group's gross profits and gross profit margins by products for the six months ended 30 June 2015, with corresponding comparative figures in 2014:

	Six months ended 30 June			
	2015		2014	
	RMB'000	**%**	RMB'000	%
Knitted fabrics				
General fabrics	**314**	**6.5**	466	8.3
Functional fabrics	**11,817**	**17.7**	21,514	23.7
Sub-total	**12,131**		21,980	
Innerwear products				
General innerwear	**1,570**	**7.4**	2,649	9.8
Functional innerwear	**17,857**	**23.1**	21,314	26.1
Sub-total	**19,427**		23,963	
Total	**31,558**	**18.6**	45,943	22.4

Other income and gains

Other income and gains amounted to approximately RMB2.2 million (2014: RMB1.1 million) for the six months ended 30 June 2015 which were mainly exchange gains, interest income from bank deposits and gains from sales of scrap materials.

Change in fair value of derivative component of the Convertible Bonds

On 20 May 2015, the Group issued the Convertible Bonds in the aggregate principle amount of up to HKD50 million. The Convertible Bonds represent a combined financial instrument containing two components: (i) a bond liability and (ii) an embedded derivative representing a conversion option in foreign currency. In accordance with HKFRS, a bond liability of RMB36.1 million (net of transaction costs of RMB3.6 million) was recognised and the liability under the embedded conversion option of RMB14.5 million was recognised at the initial recognition date.

As at 30 June 2015, the bond liability and the liability under the embedded conversion option were RMB4.1 million and RMB2.3 million, respectively and we recognised a loss of RMB13.8 million on changes in fair value of the derivative financial instrument for the six months ended 30 June 2015 (2014: Nil).

The change in fair value of derivative component of the Convertible Bonds does not result in any cash outflow or outflow of resources of the Group. Change in fair value maybe material in comparison to the Group's net loss or profit and may cause distortions in the consolidated statement of profit or loss and other comprehensive income.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB0.9 million to approximately RMB4.7 million (2014: RMB5.6 million) for the six months ended 30 June 2015. The decrease in selling and distribution expenses was mainly due to the decrease in the sales commission from approximately RMB1.6 million for the six months ended 30 June 2014 to approximately RMB0.6 million for the same period of 2015.

Administrative expenses

Administrative expenses increased by approximately 13.9% to approximately RMB31.5 million (2014: RMB27.6 million) for the six months ended 30 June 2015, primarily reflecting the increase in staff benefits and depreciation expenses.

Total staff benefits (including salaries, social welfare and other staff costs) increased by approximately 25.7% from RMB14.0 million in six months ended 30 June 2014 to RMB17.6 million in the corresponding period in 2015 paid to the administrative staff.

The depreciation expenses increased by approximately 19.4% to approximately RMB4.2 million for the six months ended 30 June 2015 (2014: RMB3.6 million) due to the reconstruction and expansion of the administrative office of the Group.

Finance costs

Finance costs increased to approximately RMB3.0 million (2014: RMB2.8 million) for the six months ended 30 June 2015 primarily due to the increase in average bank borrowings when compared to that for the same period in 2014. The effective interest rates charged on bank borrowings for the six months ended 30 June 2015 ranged from 5.3% to 8.7%, which were slightly lower than that of the same period in 2014 (2014: 5.6% to 8.7%).

(Loss) profit before tax

The Group's loss before tax was approximately RMB19.3 million (2014: profit RMB11.0 million) for the six months ended 30 June 2015 mainly due to the decrease in gross profit as a result of decrease in unit selling price, the change in fair value of derivative component of the Convertible Bonds and the increase in administrative expenses as mentioned above.

Income tax expense

Income tax expense decreased to approximately RMB0.4 million (2014: RMB4.6 million). The Group's effective tax rate for the six months ended 30 June 2015 was negative 2.3% as compared to 41.4% for the corresponding period in 2014. The decrease in effective tax rate was due to tax loss recognised in certain subsidiaries of the Group for the six months ended 30 June 2015.

(Loss) profit for the period and (loss) profit margin

The Group's profit decreased by approximately RMB26.2 million, from approximately RMB6.5 million for the six months ended 30 June 2014 to a loss of approximately RMB19.7 million for the corresponding period in 2015. The decrease in the profit was mainly due to the decrease in gross profit of approximately RMB14.4 million, increase in change in fair value of derivative component of the Convertible Bonds of approximately RMB13.8 million and increase in administrative expenses of approximately RMB3.8 million for the six months ended 30 June 2015 as mentioned in the above paragraphs.

Inventories

The inventory balances increased to approximately RMB66.2 million as at 30 June 2015 (as at 31 December 2014: RMB54.4 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 2015. For the six months ended 30 June 2015, the average inventories turnover days was 79 days (as at 31 December 2014: 63 days).

Trade and bills receivables

Trade and bills receivables decreased to approximately RMB75.5 million as at 30 June 2015 (as at 31 December 2014: RMB80.5 million). The trade and bills receivables as at 30 June 2015 were relatively lower as the average sales decreased in the six months ended 30 June 2015.

Trade and bills payables

Trade and bills payables slightly increased to approximately RMB67.2 million as at 30 June 2015 (as at 31 December 2014: RMB64.3 million). The Group made more purchases of raw materials in anticipation of increased sales orders and delivery in the second half of 2015, 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, bank borrowings and issuance of the Convertible Bonds. As at 30 June 2015, the Group's current ratio (calculated as current assets divided by current liabilities) was approximately 1.3 (as at 31 December 2014: 1.2). As at 30 June 2015, the Group had cash and cash equivalents of approximately RMB95.5 million (as at 31 December 2014: RMB69.5 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 RMB99.3 million (as at 31 December 2014: RMB88.2 million) and cash generated from the issuance of the Convertible Bonds of approximately RMB36.1 million (as at 31 December 2014: Nil). As at 30 June 2015, 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 21.4%, as compared to approximately 19.5% as at 31 December 2014.

As at 30 June 2015, the Group had fixed rate bank borrowings of approximately RMB40.0 million (as at 31 December 2014: Nil) and variable rate bank borrowings of approximately RMB59.3 million (as at 31 December 2014: RMB88.2 million). The effective interest rates on the Group's fixed rate and variable rate bank borrowings was 5.9% and ranged from 5.3% to 8.7% per annum, respectively, as at 30 June 2015 (as at 31 December 2014: the Group had no fixed rate bank borrowings and variable rate bank borrowings ranged from 5.6% 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 2015, the Group had no material contingent liabilities.

Charges on Group assets

As at 30 June 2015, 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 RMB9.9 million, RMB92.6 million and RMB12.2 million, respectively (as at 31 December 2014: RMB11.7 million, RMB79.9 million and RMB12.4 million, respectively). As at 30 June 2015, the Group also pledged its bank deposits of approximately RMB20.2 million (as at 31 December 2014: RMB17.5 million) to secure short-term bills payables.

HUMAN RESOURCES

As at 30 June 2015, 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 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 had 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 2015 (2014: Nil).

PROSPECTS

In recent years, the textile industry in China has experienced difficult times. Due to the slowdown in economic growth in China, the rapid growth momentum of the textile industry in the past few years has slowed down. In spite of such circumstances, all the textile enterprises, especially the Group, have never stopped advancing their own equipments and technology and adjusting product mix to address market changes.

In the second half of 2015, the sluggish economy in China will become more stable and brisk, which we expect a gradual change in the way of adjustment and growth in the economic structure. The textile industry is a traditional industry, yet it also changes rapidly. The National Bureau of Statistics of the PRC announced recently that the textile industry grew by 8.1% in June 2015 as compared with June 2014. With the introduction of the direct subsidy policy for cotton, the cotton market in China has started to be market driven again. When the global business environment improves, the market will gradually restore its confidence towards the industry. Therefore the Group is prudently optimistic about the future prospect of the industry.

China is formulating the 13th Five-Year Plan for the textile industry and it is expected that the use of environmentally friendly and recycled materials will be advocated as the new development direction. With the call for energy saving and emissions reduction worldwide, consumers are paying more attention to having a healthy and environmentally friendly lifestyle, and the position of functional fabrics and innerwear products embodying this concept is ascending. For the research and development of functional fabrics, the Group will continue to devote itself in 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 comfort, regeneration, environmental protection, antibiotic and negative ion, the Group believes innovative ideas will create new opportunities.

The Group has its production base in China since its establishment. Considering the continuous increase in production cost and the development changes of the industry in China, the Group is actively studying the feasibility of expansion in other countries. China is taking an active role in promoting the economic strategy of "One Belt One Road" and encouraging enterprises to actively foster economic partnerships with countries and regions along the corridors. In view of this, the management of the Group has paid visits to Southeast Asian countries to study their economic environments and look for suitable investment opportunities, hoping to introduce various production plans, further reduce production costs and attract more quality and diverse customers through a close integration of economy and trade.

To support future development, the Group will adjust its existing customer mix and at the same time continue to explore new markets to optimise its customer base. It is anticipated that increasing orders from such new markets will allow the Group to have access to higher profit margin. As for operation and production, the Group will upgrade its equipment, improve its production automation capabilities and adopt more advanced production technologies. The Group will also further raise its production efficiency and lower its operating costs by streamlining the production and processing procedures, and will refine its production capacity to keep pace with the Group's development. It is the Group's goal to bring more significant economic benefits upon scale expansion in the future. The Group also hopes to better leverage on its advantage as a one-stop provider and capitalise on its strengths across all sections of the industry chain to capture market opportunities in its best position. The Group is also considering to expedite the development of its own apparel and fabric brands to achieve breakthrough in its future growth and maximise returns for its shareholders.

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 2015.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2015, the Group did not engage in any material acquisitions or disposals.

EVENT AFTER THE REPORTING PERIOD

As at the date of this interim report, there is no significant event subsequent to 30 June 2015 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 2015, the Company has 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 its chairman, 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 six months ended 30 June 2015.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 16 to the condensed consolidated financial statements.

SHARE OPTION SCHEME

Prior to the listing of the Company's shares, the Company had conditionally adopted a share option scheme (the "**Share Option Scheme**") on 19 August 2011 which became unconditional and effective on 24 November 2011. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants (as specified in the section headed "Share Option Scheme" in the prospectus of the Company issued on 14 November 2011) as incentives or rewards for their contribution to the Group.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the total number of shares of the Company in issue at the time of its adoption (i.e. 380,000,000 shares), without prior approval from the Company's shareholders, and the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12 months is not permitted to exceed 1% of the shares of the Company in issue at any point of time without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors, or any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million, based on the closing price of the Company's shares at the date of the grant, must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days from the date of grant upon payment of HK$1 per grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

During the six months ended 30 June 2015, no options to subscribe for ordinary shares in the Company were granted under the Share Option Scheme.

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

As at 30 June 2015, 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)	58.70%
Madam Hung Kin[(2)]	Interest of controlled corporation	241,836,000(L)	58.70%
Mr. Wei Jin Long	Beneficial owner	24,000,000(L)	5.83%
Mr. Wang Shao Hua	Beneficial owner	15,000,000(L)	3.64%

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.

Interest in the shares of associated corporation – Global Wisdom Capital Holdings Limited

Name of Director	Capacity	Number of shares[(1)]	Approximate percentage of shareholding
Mr. Wong Kin Ling	Beneficial owner	1(L)	50%
Madam Hung Kin	Beneficial owner	1(L)	50%

Note:

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the six months ended 30 June 2015 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 2015, 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)	58.70%
Mr. Ho Kin	Beneficial owner and interest of controlled corporation	25,068,000 (L)[2]	6.59%

Notes:

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

(2) Among these 25,068,000 shares, 5,068,000 shares are legally and beneficially owned by Mr. Ho Kin and 20,000,000 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 2015.

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 2015 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 2015

		Six months ended 30 June	
	NOTES	**2015** **RMB'000** **(Unaudited)**	2014 RMB'000 (Unaudited)
Revenue		**169,764**	204,997
Cost of sales		**(138,206)**	(159,054)
Gross profit		**31,558**	45,943
Other income and gains	*4*	**2,189**	1,131
Change in fair value of derivative component of Convertible Bonds		**(13,835)**	–
Selling and distribution expenses		**(4,744)**	(5,617)
Administrative expenses		**(31,452)**	(27,624)
Finance costs	*5*	**(2,978)**	(2,790)
(Loss) profit before tax		**(19,262)**	11,043
Income tax expense	*6*	**(440)**	(4,571)
(Loss) profit for the period	*7*	**(19,702)**	6,472
		RMB cents	RMB cents
(Loss) earnings per share:			
– Basic and diluted	*9*	**(5.1)**	1.7

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Six months ended 30 June	
	NOTES	**2015** **RMB'000** **(Unaudited)**	2014 RMB'000 (Unaudited)
(Loss) profit for the period	*7*	**(19,702)**	6,472
Other comprehensive (expense) income for the period			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(201)**	23
Total comprehensive (expense) income for the period		**(19,903)**	6,495

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 2015

	NOTES	**30 June 2015 RMB'000 (Unaudited)**	31 December 2014 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**217,641**	224,343
Prepaid lease payments		**11,978**	12,127
Deposits paid to acquire non-current assets	*11*	**1,563**	116
Prepayment		**–**	170
Deferred tax assets		**616**	427
		231,798	237,183
CURRENT ASSETS			
Inventories		**66,194**	54,385
Trade and bills receivables	*12*	**75,502**	80,467
Prepayments and other receivables		**14,436**	11,600
Prepaid lease payments		**297**	297
Restricted bank deposits		**20,160**	17,532
Cash and bank balances		**75,319**	51,925
Income tax recoverables		**910**	–
		252,818	216,206
CURRENT LIABILITIES			
Trade and bills payables	*13*	**67,205**	64,269
Accruals and other payables		**21,549**	28,524
Advance from customers		**2,178**	1,914
Interest-bearing borrowings	*14*	**99,348**	88,208
Derivatives embedded in Convertible Bonds	*15*	**2,263**	–
Convertible bonds	*15*	**4,143**	–
Income tax payables		**–**	438
		196,686	183,353
Net current assets		**56,132**	32,853
NET ASSETS		**287,930**	270,036
CAPITAL AND RESERVES			
Share capital	*16*	**90,719**	46,938
Reserves		**197,211**	223,098
TOTAL EQUITY		**287,930**	270,036

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	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 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
As at 1 January 2015 (audited)	**46,938**	**36,728**	**958**	**179,695**	**(83)**	**5,800**	**270,036**
Loss for the period	**–**	**–**	**–**	**(19,702)**	**–**	**–**	**(19,702)**
Other comprehensive expense for the period: Exchange differences arising on translation of foreign operations	**–**	**–**	**(201)**	**–**	**–**	**–**	**(201)**
Total comprehensive expense for the period	**–**	**–**	**(201)**	**(19,702)**	**–**	**–**	**(19,903)**
Conversion of convertible bonds (note 15)	**43,781**	**–**	**–**	**–**	**–**	**–**	**43,781**
Payment of dividends	**–**	**–**	**–**	**(5,984)**	**–**	**–**	**(5,984)**
As at 30 June 2015 (unaudited)	**90,719**	**36,728**	**757**	**154,009**	**(83)**	**5,800**	**287,930**

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

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash (used in) generated from operations		
Increase in inventories	**(11,809)**	(10,917)
Decrease (increase) in trade and bills receivables	**4,965**	(27,296)
Increase in trade and bills payables	**2,936**	40,682
Decrease in accruals and other payables	**(7,006)**	(4,558)
Change in fair value of derivative component of Convertible Bonds	**13,835**	–
Other operating cash flows	**(5,922)**	30,594
	(3,001)	28,505
Income tax paid	**(1,977)**	(9,546)
Net cash (used in) generated from operating activities	**(4,978)**	18,959
Net cash used in investing activities		
Purchase of property, plant and equipment	**(6,677)**	(21,678)
Other investing cash flows	**(3,310)**	(8,229)
	(9,987)	(29,907)
Net cash generated from financing activities		
New borrowings raised	**110,000**	157,000
Repayment of borrowings	**(98,860)**	(101,811)
Proceeds from issuance of Convertible Bonds	**36,111**	–
Other financing cash flows	**(8,640)**	(2,790)
	38,611	52,399
Net increase in cash and cash equivalents	**23,646**	41,451
Cash and cash equivalents at 1 January	**51,925**	30,949
Effect of foreign exchange rate changes	**(252)**	17
Cash and cash equivalents at 30 June, represented by cash and bank balances	**75,319**	72,417

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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) 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.

In the current interim period, the Group has applied, for the first time, the following new Interpretation ("**Int**") 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 HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

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.

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 2015 and 2014.

	Six months ended 30 June 2015		
	Innerwear products RMB'000 (Unaudited)	**Knitted fabrics RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Revenue			
External sales	**96,435**	**73,329**	**169,764**
Inter-segment revenue	**21,324**	**18,715**	**40,039**
Elimination	**(21,324)**	**(18,715)**	**(40,039)**
Group's revenue	**96,435**	**73,329**	**169,764**
Segment (loss) profit	**(1,053)**	**3,677**	**2,624**
Other income			**377**
Finance costs			**(2,978)**
Change in fair value of derivative component of Convertible Bonds			**(13,835)**
Unallocated head office and corporate expenses			**(5,450)**
Loss before tax			**(19,262)**

3. SEGMENT INFORMATION *(Continued)*

	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

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Innerwear products	**164,485**	172,381
Knitted fabrics	**223,028**	210,095
Unallocated assets	**97,103**	70,913
Total assets	**484,616**	453,389

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	**377**	216
Sales of scrap material	**380**	313
Government subsidies	**50**	–
Exchange gain, net	**1,344**	513
Others	**38**	89
	2,189	1,131

5. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Wholly repayable within five years:		
Interest on bank loans	**2,747**	2,959
Interest on Convertible Bonds	**322**	–
Less: amounts capitalised in the cost of qualifying assets	**(91)**	(169)
	2,978	2,790

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax		
– Provision for the year	**1,207**	5,230
– Over provision in prior years	**(578)**	(523)
Withholding tax	**–**	345
Deferred tax	**(189)**	(481)
	440	4,571

7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Salaries and other benefits	**42,546**	40,076
Contributions to retirement benefit scheme	**3,894**	3,380
Total staff costs (including directors' emoluments)	**46,440**	43,456
Cost of inventories recognised as an expense	**138,206**	159,054
Amortisation of prepaid lease payments	**148**	158
Allowance for inventories (included in cost of sales)	**–**	320
Depreciation of property, plant and equipment	**12,084**	10,002
Exchange difference, net	**(1,344)**	(513)
Loss on disposal of property, plant and equipment, net	**908**	2,404
Operating lease rentals in respect of rented premises	**126**	244

8. DIVIDENDS

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

9. (LOSS) EARNINGS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2015 is based on the loss attributable to owners of the Company of approximately RMB19,702,000 and weighted average number of ordinary shares of 384,334,031 in issue during the six months ended 30 June 2015.

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 and 380,000,000 ordinary shares in issue during the six months ended 30 June 2014.

Diluted loss/earnings per share was the same as the basic loss/earnings per share as there were no potential dilutive ordinary share outstanding during the six months ended 30 June 2015 and 2014.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in a decrease in loss per share.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group disposed of certain plant and equipment with an aggregate carrying amount of approximately RMB1,412,000 (six months ended 30 June 2014: approximately RMB3,551,000), resulting in a net loss on disposal of approximately RMB908,000 (six months ended 30 June 2014: net loss on disposal of approximately RMB2,404,000).

During the six months ended 30 June 2015, the Group acquired approximately RMB6,793,000 (six months ended 30 June 2014: RMB26,658,000) of property, plant and equipment.

11. DEPOSITS PAID TO ACQUIRE NON-CURRENT ASSETS

As at 30 June 2015, the Group paid deposits of approximately RMB1,563,000 (31 December 2014: RMB116,000) 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 ageing 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 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
0 – 30 days	**31,466**	42,035
31 – 60 days	**17,053**	13,568
61 – 90 days	**10,425**	11,767
Over 90 days	**16,558**	13,097
	75,502	80,467

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
0 – 30 days	**42,189**	41,803
31 – 90 days	**19,207**	20,571
91 – 180 days	**3,680**	1,233
Over 180 days	**2,129**	662
	67,205	64,269

14. INTEREST-BEARING BORROWINGS

During the six months ended 30 June 2015, the Group obtained new bank borrowings amounting to approximately RMB110,000,000 (six months ended 30 June 2014: RMB157,000,000) and repaid the bank borrowings amounting to approximately RMB98,860,000 (six months ended 30 June 2014: RMB101,811,000).

15. CONVERTIBLE BONDS

On 20 May 2015, the Company issued 6% Convertible Bonds with an aggregate principal amount of HK$50,000,000 (equivalent to approximately RMB35,142,061). The Convertible Bonds are denominated in HK$ and entitle the holders to convert them into ordinary shares of the Company at any time between 1 June 2015 and up to the 14th day immediately preceding the maturity date which is 20 May 2016 at an initial conversion price of HK$1.386, subject to adjustments, per Convertible Bond. If the Convertible Bonds have not been converted, it will be redeemed on maturity date at par. The Convertible Bonds contain two components, liability and derivative components. The effective interest rate of the liability component is 16% per annum.

The movement of the liability and derivative components of the Convertible Bonds are set out below:

	Liability Component RMB'000	Derivative Component RMB'000	Total RMB'000
Issue of convertible bonds during the period	39,683	14,527	54,210
Transaction costs	(3,572)	–	(3,572)
Effective interest expenses	322	–	322
Interest payables	(31)	–	(31)
Conversion of convertible bonds	(32,227)	(11,554)	(43,781)
Change in fair value	–	(692)	(692)
Exchange realignment	(32)	(18)	(50)
At 30 June 2015	**4,143**	**2,263**	**6,406**

16. SHARE CAPITAL

Authorised:

As at 30 June 2015 and 31 December 2014, the Company was authorised to issue a maximum of 1,000,000,000 shares with no par value.

Issued and fully paid:

	Number of Shares	Amount
		RMB'000
At 1 January 2014, 30 June 2014 and 31 December 2014	380,000,000	46,938
Issue of shares upon conversion of Convertible Bonds	31,947,330	43,781
At 30 June 2015	411,947,330	90,719

During the six months ended 30 June 2015, Convertible Bonds with an aggregate principal amount of HK$44,278,997 (equivalent to approximately RMB35,142,061) were converted into 31,947,330 ordinary shares with no par value at a conversion price of HK$1.386 per share.

All the ordinary shares issued during the six months ended 30 June 2015 rank pari passu with the then existing shares in all respects.

17. CAPITAL COMMITMENT

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Amount contracted for but not provided in respect of acquisition of property, plant and equipment	**209**	845

18. 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 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Prepaid lease payments	**12,275**	12,424
Buildings	**92,620**	79,909
Machinery	**9,888**	11,701
Restricted bank deposits	**20,160**	17,532
	134,943	121,566

19. 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.

19. 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	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	**4,725**	2,667
Post-employment benefits	**35**	29
	4,760	2,696

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.

20. EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2015 which would materially affect the Group's operating and financial performance as at the date of these unaudited condensed consolidated financial statements.

21. APPROVAL OF THE FINANCIAL STATEMENTS

These unaudited condensed consolidated financial statements were approved and authorised for issue by the board of directors on 25 August 2015.