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

2016
INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wong Kin Ling
Madam Hung Kin
Mr. Wang Shao Hua
Mr. Feng Yongming (retired on 23 May 2016)

NON-EXECUTIVE DIRECTOR

Mr. Wei Jin Long

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUTHORISED REPRESENTATIVES

Mr. Wong Kin Ling
Madam Hung Kin

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Lee Yin Sing, *CPA*

AUDITOR

SHINEWING (HK) CPA Limited

LEGAL ADVISER

As to Hong Kong law:

MinterEllison

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 102 Renmin Dong Road
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	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Key Financial Information		
Revenue	**179,236**	169,764
Gross profit	**33,926**	31,558
Profit/(loss) before tax	**(2,107)**	(19,262)
Profit/(loss) for the period	**(4,098)**	(19,702)
Total comprehensive income/(expense) for the period	**(4,122)**	(19,903)

	As at 30 June 2016	As at 30 June 2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Non-current assets	**220,441**	226,787
Current assets	**258,870**	258,097
Current liabilities	**182,247**	183,698
Net current assets	**76,623**	74,399
Total assets	**479,311**	484,884
Total assets less current liabilities	**297,064**	301,186
Total equity	**296,492**	300,614
Cash and cash equivalents	**101,525**	76,175

KEY FINANCIAL RATIOS

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Gross profit margin	**18.9%**	18.6%
Net (loss) margin	**(2.3)%**	(11.6)%
Trade receivables turnover days	**80**	84
Inventory turnover days	**74**	80

	As at 30 June 2016	As at 31 December 2015
	RMB'000	RMB'000
Gearing ratio[(1)]	**20.0%**	21.0%
Current ratio[(2)]	**1.4**	1.4

Notes:

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			
	2016 RMB'000	**2016 %**	2015 RMB'000	2015 %
Knitted fabrics				
General fabrics	**3,923**	**2.2**	4,804	2.8
Functional fabrics	**47,719**	**26.6**	68,525	40.4
Sub-total	**51,642**	**28.8**	73,329	43.2
Innerwear products				
General innerwear	**33,111**	**18.5**	21,113	12.4
Functional innerwear	**94,483**	**52.7**	75,322	44.4
Sub-total	**127,594**	**71.2**	96,435	56.8
Total	**179,236**	**100.0**	169,764	100.0

REVENUE OF THE GROUP ANALYSED BY REGIONAL DISTRIBUTION

	Six months ended 30 June			
	2016 RMB'000	**2016 %**	2015 RMB'000	2015 %
Japan	**81,185**	**45.3**	77,267	45.5
PRC	**86,618**	**48.3**	81,888	48.2
United States and others	**11,433**	**6.4**	10,609	6.3
Total	**179,236**	**100.0**	169,764	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Throughout the first half of 2016 (the "**Period Under Review**"), the global macro-economy faced critical challenges while China's economy was confronted by internal concerns such as the decelerated economic growth and continuous depreciation of the RMB, as well as external troubles such as the adverse effect of UK's withdrawal from EU, which jeopardised EU-China trade relations. China recorded a GDP growth of only 6.7% for the first half of 2016, indicating that its economy was entering into the "New Normal", a state in which the economy is dominated by the service industry instead of the traditional manufacturing industry, which further hampered the manufacturing market.

Since the beginning of the year, the textile and apparel export sector has not been able to escape the recession. From January to June 2016, the trade volume of textiles and apparel amounted to US$136.14 billion, representing a decrease of 3.4% as compared with the corresponding period of the previous year; export accounted for US$125.03 billion, representing a decrease of 2.6%, and import accounted for US$11.11 billion, representing a decrease of 11.5%. Fortunately, the domestic policies that intended to promote foreign trade and stabilize export started to take effect, and initiatives such as promoting the transformation and upgrading of the processing trade, strengthening financial support to SMEs and enhancing trading facility were gradually implemented. During the second half of 2015 to the first half of 2016, the decline in China's exports of textiles and apparel gradually narrowed.

A noteworthy fact is that the "One Belt One Road" initiative has brought hope to China's textile and apparel export industry. During the period under review, Mr. GAO Yong, Vice President & Secretary General of China National Textile And Apparel Council, said that, inspired by the "One Belt One Road" initiative, Chinese enterprises were accelerating their paces in "Going Out" and overseas penetration, while the garment manufacturing sector at the downstream areas, in view of the high costs, would continue to be relocated to Southeast Asia due to its lower labour costs. However, in terms of R&D, design and raw materials at the upstream areas, the Chinese enterprises still enjoyed obvious advantages. In the future, China may dominate the global textile supply chain with a prevailing structure of "China + neighbouring countries".

BUSINESS REVIEW

The Group is a leading vertically-integrated manufacturer of functional fabrics and innerwear products, with its products sold to many famous brands in the world. The Group is also an OEM innerwear supplier for numerous major international clothing brands, with its plants set up in China and Myanmar. Against the increasing pressure of the deteriorating Chinese and global economy, we recorded a steady increase in our operating results during the period under review, with our total turnover increased by approximately 5.5% to RMB179.2 million (2015: RMB169.8 million). During the period under review, the sales revenue from our functional fabrics and innerwear was approximately RMB47.7 million and RMB94.5 million, respectively, while that from general fabrics and innerwear was approximately

RMB3.9 million and RMB33.1 million, respectively. Such growth was mainly attributable to the increases in both price and quantity of apparel exports to Europe and Japan. Meanwhile, benefiting from the "One Belt One Road" opportunities, our plant in Myanmar acquired at the end of 2015 also landed with plenty of orders.

During the period under review, the Group recorded a loss of RMB4.1 million (2015: a loss of RMB19.7 million). The Group's successfully placed convertible bonds with a principal of up to HK$50 million and an annual interest rate of 6% (the "**Convertible Bonds**") in 2015. The decrease in loss as compared with the corresponding period of the previous year was mainly due to a loss on change in fair value of derivative financial instruments of RMB13 million resulting from the issuance of the Convertible Bonds recorded by the Group, while in the first half of 2016, no such expenditure was incurred.

In order to enhance the sustainability of its profitability in the long run, the Group also continued to restructure its existing customer base during the period under review. In addition to cutting back on most of the orders with a low gross margin from customers in the US in the previous year, the Group also reasonably adjusted the share of revenue from various markets based on the consumption power of each market. As the Group expected that China would still be restricted by downward pressures such as economic slowdown and currency depreciation in the short run, the Group flexibly scaled down the importance of the Chinese market, and reallocated its resources to Europe, America and Japan where the economies were relatively stable so as to maintain the ordinary growth of the businesses and to proactively build a customer base of higher quality. The Group is also looking forward to marketing quality functional fabrics and innerwear products in new markets, which would strengthen the Group's business foundation and maintain a reasonable gross margin.

During the period under review, the Group did not significantly increase its investment in domestic plants and production capacity based on China's current economic situation. Meanwhile, as the Group foresaw opportunities in economic and trade integration in Southeast Asia and in view of the "One Belt One Road" policy, it proactively sought appropriate investment opportunities for production plants in those regions in order to hedge against the increasing labour and other costs in China, and attract more quality and diversified customers. In the fourth quarter of 2015, the Group acquired the plants of Win Glory International Manufacturing Company Limited ("**Win Glory**"), which was established in Myanmar and has a gross floor area of approximately 2,000 square meters with an annual production capacity of approximately 2.4 million pieces. During the period under review, the acquisition brought the Group a stable flow of orders and laid a solid foundation for the Group to expand its production capacity and business in Myanmar in the near future.

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 2016, with corresponding comparative figures for 2015:

	Six months ended 30 June			
	2016		2015	
	RMB'000	**%**	RMB'000	%
Knitted fabrics				
General fabrics	**3,923**	**2.2**	4,804	2.8
Functional fabrics	**47,719**	**26.6**	68,525	40.4
Sub-total	**51,642**	**28.8**	73,329	43.2
Innerwear products				
General innerwear	**33,111**	**18.5**	21,113	12.4
Functional innerwear	**94,483**	**52.7**	75,322	44.4
Sub-total	**127,594**	**71.2**	96,435	56.8
Total	**179,236**	**100.0**	169,764	100.0

For the six months ended 30 June 2016, the Group recorded a revenue of approximately RMB179.2 million (2015: RMB169.8 million), representing an increase of approximately RMB9.4 million, or approximately 5.5%, as compared with that for the corresponding period in 2015. The sales volume of general fabrics, functional fabrics, general innerwear and functional innerwear for the six months ended 30 June 2016 were approximately 163 tons, 818 tons, 2.3 million pieces and 5.9 million pieces respectively (2015: 101 tons, 930 tons, 1.9 million pieces and 5.6 million pieces respectively). The increase in revenue was mainly due to the increase in the sales as well as sales volume of the Group's innerwear products.

Sales of knitted fabrics amounted to approximately RMB51.6 million (2015: RMB73.3 million) representing approximately 28.8% (2015: 43.2%) of the total revenue for the six months ended 30 June 2016. 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 12.0% and 30.4% to approximately 818 tons and RMB20.8 million for the six months ended 30 June 2016 (2015: 930 tons and RMB68.5 million). Due to the decrease in sales of functional fabrics products, the overall sales volume of knitted fabrics decreased by approximately 10.7% from approximately 1,031 tons for the six months ended 30 June 2015 to approximately 921 tons in the corresponding period of 2016.

Sales of innerwear products amounted to approximately RMB127.6 million (2015: RMB96.4 million), representing approximately 71.2% (2015: 56.8%) of the total revenue for the six months ended 30 June 2016. The increase in the sales of innerwear products in the amount of approximately RMB31.2 million, or approximately 32.3%, for the six months ended 30 June 2016 as compared with that in the corresponding period in 2015 was mainly due to the increase in sales of both general and functional innerwear for the six months ended 30 June 2016. The sales volume of innerwear products increased from approximately 7.4 million pieces for the six months ended 30 June 2015 to approximately 8.2 million pieces for the corresponding period in 2016. The sales volume as well as the sales of functional innerwear products increased by approximately 0.4 million pieces and RMB19.2 million to approximately 5.9 million pieces and RMB94.5 million for the six months ended 30 June 2016 (2015: 5.6 million pieces and RMB75.3 million). The increase in the sales of functional innerwear was mainly due to the increase in the unit selling price. Compared with the corresponding period in 2015, the economic situation of Japan, the largest sales channel of the Group's functional innerwear products, was relatively steady. The Group recorded a higher average unit selling price to the Japanese customers in 2016.

Cost of sales

Cost of sales increased by approximately 5.1% from approximately RMB138.2 million for the six months ended 30 June 2015 to approximately RMB145.3 million for the corresponding period in 2016. At the same time, the average unit production costs of the innerwear products of the Group increased, which was mainly due to the increase in the average direct labor cost. The overall increase in the cost of sales was mainly due to the increase in sales volume of Group's innerwear products.

Gross profit and gross profit margin

Gross profit increased by approximately RMB2.4 million, or approximately 7.5%, from approximately RMB31.6 million for the six months ended 30 June 2015 to approximately RMB33.9 million for the six months ended 30 June 2016 as a result of the increase in average unit selling price and an increase in unit production cost of the innerwear products. The Group's gross profit margin slightly increased from approximately 18.6% for the six months ended 30 June 2015 to approximately 18.9% for the corresponding period in 2016.

The following table sets forth the Group's gross profits and gross profit margins by products for the six months ended 30 June 2016, with corresponding comparative figures in 2015:

	Six months ended 30 June			
	2016		2015	
	RMB'000	**%**	RMB'000	%
Knitted fabrics				
General fabrics	**221**	**5.6**	314	6.5
Functional fabrics	**4,888**	**10.2**	11,817	17.7
Sub-total	**5,109**		12,131	
Innerwear products				
General innerwear	**5,119**	**10.6**	1,570	7.4
Functional innerwear	**23,698**	**25.1**	17,857	23.1
Sub-total	**28,817**		19,427	
Total	**33,926**	**18.9**	31,558	18.6

Other income and gains

Other income and gains amounted to approximately RMB2.2 million (2015: RMB2.2 million) for the six months ended 30 June 2016 which were mainly exchange gain, 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 HK$50 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.

During the year ended 31 December 2015, Convertible Bonds with an aggregate principal amount of approximately HK$44.3 million were converted into 31,947,330 ordinary shares of the Company with no par value at the conversion price of HK$1.386 per share.

During the six months period ended 30 June 2016, the outstanding Convertible Bonds have matured, and the amount was repaid upon maturity. No bond liability or liability under the embedded conversion option was noted as at 30 June 2016.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB0.5 million to approximately RMB4.2 million (2015: RMB4.7 million) for the six months ended 30 June 2016. The decrease in selling and distribution expenses was mainly due to the decrease in the transportation expenses from approximately RMB1.4 million for the six months ended 30 June 2015 to approximately RMB1.2 million for the same period of 2016.

Administrative expenses

Administrative expenses increased by approximately 0.8% to approximately RMB31.7 million (2015: RMB31.5 million) for the six months ended 30 June 2016. The Group implemented cost control procedures, resulting in no material increase in the administrative expenses. The major component of the administrative expenses was staff benefits, which included salaries, social welfare and pension expenses.

Total staff benefits decreased from RMB17.9 million for the six months ended 30 June 2016 as compared to RMB18.8 million in the corresponding period in 2015. The decrease in staff benefits was mainly due to fewer bonuses paid out to the administrative staff for the six months ended 30 June 2016.

Finance costs

Finance costs decreased to approximately RMB2.3 million (2015: RMB3.0 million) for the six months ended 30 June 2016 primarily due to the decrease in average bank borrowings when compared to that for the same period in 2015. The effective interest rates charged on bank borrowings for the six months ended 30 June 2016 ranged from 4.6% to 5.0%, which were lower than that of the same period in 2015 (2015: 5.3% to 8.7%).

(Loss) profit before tax

The Group's loss before tax was approximately RMB4.1 million (2015: loss RMB19.7 million) for the six months ended 30 June 2016, mainly due to the increase in gross profit. Furthermore, change in fair value of the derivative component of the Convertible Bonds of RMB13.8 million was noted in 2015, while no such expenses were incurred for the period ended 30 June 2016.

Income tax expense

Income tax expense increased to approximately RMB1.9 million (2015: RMB0.4 million). The Group's effective tax rate for the six months ended 30 June 2015 was negative 94.5% as compared to negative 2.3% for the corresponding period in 2015. 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 2016.

Loss for the period and loss margin

The Group's loss decreased by approximately RMB15.6 million, from approximately a loss of RMB19.7 million for the six months ended 30 June 2015 to a loss of approximately RMB4.1 million for the corresponding period in 2016. The decrease in the loss was mainly due to the increase in gross profit of approximately RMB2.4 million, and the decrease in change in fair value of derivative component of the Convertible Bonds of approximately RMB13.8 million for the six months ended 30 June 2016 as mentioned in the above paragraphs.

Inventories

The inventory balances increased to approximately RMB59.1 million as at 30 June 2016 (as at 31 December 2015: RMB58.4 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 2016, the average inventories turnover days was 74 days (as at 31 December 2015: 66 days).

Trade and bills receivables

Trade and bills receivables decreased to approximately RMB73.8 million as at 30 June 2016 (as at 31 December 2015: RMB82.3 million). The trade and bills receivables as at 30 June 2016 were relatively lower as the Group has implemented a tighter control over trade and bills receivables.

Trade and bills payables

Trade and bills payables slightly increased to approximately RMB65.3 million as at 30 June 2016 (as at 31 December 2015: RMB62.2 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 2016, the Group's current ratio (calculated as current assets divided by current liabilities) was approximately 1.4 (as at 31 December 2015: 1.4). As at 30 June 2016, the Group had cash and cash equivalents of approximately RMB101.5 million (as at 31 December 2015: RMB76.2 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 RMB96.0 million (as at 31 December 2015: RMB97.4 million). As at 30 June 2016, 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 20.0%, as compared to approximately 21.0% as at 31 December 2015.

As at 30 June 2016, the Group had RMB40.0 million fixed rate bank borrowings (as at 31 December 2015: RMB40 million) and variable rate bank borrowings of approximately RMB56 million (as at 31 December 2015: RMB57.4 million). The effective interest rates on the Group's fixed rate and variable rate bank borrowings were 5.0% and ranged from 4.6% to 5.0% per annum, respectively, as at 30 June 2016 (as at 31 December 2015: fixed rate bank borrowings 5.9%; variable rate bank borrowings ranged from 5.3% to 8.7% 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 2016, the Group had no material contingent liabilities.

Charges on Group assets

As at 30 June 2016, the Group's bank borrowings were secured by pledges over the Group's property, plant and equipment and prepaid lease payments of carrying amounts of approximately RMB97.4 million and RMB12.0 million, respectively (as at 31 December 2015: RMB100.1 million and RMB12.1 million, respectively). As at 30 June 2016, the Group also pledged its bank deposits of approximately RMB14.1 million (as at 31 December 2015: RMB16.0 million) to secure short-term bills payables.

HUMAN RESOURCES

As at 30 June 2016, the Group employed approximately 2,300 employees (as at 30 June 2015: 2,000). The total staff costs (including directors' emoluments) of the Group for the six months ended 30 June 2016 were approximately RMB49.4 million (30 June 2015: RMB46.4 million). Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group would conduct periodic reviews of the performance of its employees and their salaries and bonuses are performance-based. During the period under review, the Group has neither experienced any significant problems with its employees or disruptions to its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced employees. The Group maintains good relationships with its employees.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2016 (2015: Nil).

PROSPECTS

In the second half of 2016, pressure on the global economy will continue to build up, resulting in the continuous reduction of domestic demand for China's textile industry. As a leading vertically-integrated manufacturer of functional fabrics and innerwear products, the Group will strive to strengthen its overseas market penetration and consolidate its "China + Southeast Asia" presence, so as to reduce costs and disperse market risks. Meanwhile, as our revenue is mainly denominated in US dollars and export-oriented, RMB depreciation did not have a significant impact on us. However, as the RMB depreciation may continue, the Group has reiterated its endeavours to strengthen export, so as to offset the impact of China's deteriorating economy.

During the "Thirteenth Five-Year" period, China's textile industry will enjoy special support from the State and the "One Belt One Road" strategy will bring on unprecedented opportunities for the textile industry, and it is expected to directly stimulate local demand. The Group is convinced that the high-quality and environment-friendly "green" functional fabrics will promote the global "green" development, and our production lines set up in Myanmar will be an important practice of our close interaction in Central Asia. The Group remains confident of the huge market potential for the textile industry, and hope to make more effective use of its advantage of vertical integration and exert its superiority in the industry chain, so as to meet market opportunities in its best shape and strive for performance breakthroughs and better returns for our shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2016, the Group did not engage in any material acquisitions or disposals.

EVENT AFTER THE REPORTING PERIOD

A sales and purchase agreement was entered into between a controlling shareholder of the Company (the "**Vendor**") and an independent third party (the "**Purchaser**") to sell 241,836,000 shares, representing 58.71% of the issued share capital of the Company to the Purchaser. The consideration for the transaction of approximately HK$385,003,000 (equivalent to HK$1.592 per sale shares) was agreed between the Purchaser and the Vendor after arm's length negotiations. The transaction was completed on 29 July 2016.

Save as disclosed, as at the date of this interim report, there is no significant event subsequent to 30 June 2016 which would materially affect the Group's operating and financial performance as at the date of the unaudited condensed consolidated interim results.

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 2016, 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 our 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 interests 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 2016.

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 2016, 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 2016, 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 2016 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 2016, 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	32,980,000 (L)(2)	8.01%

Notes:

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

(2) Among these 32,980,000 shares, 12,980,000 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 financial results for the six months ended 30 June 2016.

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 2016 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 2016

		Six months ended 30 June	
	NOTES	**2016** **RMB'000** **(Unaudited)**	2015 RMB'000 (Unaudited)
Revenue		**179,236**	169,764
Cost of sales		**(145,310)**	(138,206)
Gross profit		**33,926**	31,558
Other income and gains	*4*	**2,193**	2,189
Change in fair value of derivative component of the Convertible Bonds		**–**	(13,835)
Selling and distribution expenses		**(4,191)**	(4,744)
Administrative expenses		**(31,690)**	(31,452)
Finance costs	*5*	**(2,345)**	(2,978)
Loss before tax		**(2,107)**	(19,262)
Income tax expense	*6*	**(1,991)**	(440)
Loss for the period	*7*	**(4,098)**	(19,702)
Loss per share	*9*		
– Basic and diluted (RMB cents)		**(1.0)**	(5.1)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended 30 June	
		2016	2015
	NOTES	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Loss for the period	*7*	**(4,098)**	(19,702)
Other comprehensive expense for the period			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(24)**	(201)
Total comprehensive expense for the period		**(4,122)**	(19,903)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	NOTES	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**207,340**	213,142
Goodwill		**1,008**	1,008
Prepaid lease payments		**11,682**	11,830
Deposits paid to acquire non-current assets	11	**–**	363
Deferred tax assets		**411**	444
		220,441	226,787
Current assets			
Inventories		**59,140**	58,394
Trade and bills receivables	12	**73,757**	82,321
Prepayments and other receivables		**9,923**	24,823
Prepaid lease payments		**297**	297
Income tax recoverable		**103**	103
Restricted bank deposits		**14,125**	15,984
Cash and bank balances		**101,525**	76,175
		258,870	258,097
Current liabilities			
Trade and bills payables	13	**65,323**	62,177
Accruals and other payables		**18,957**	17,444
Advance from customers		**1,788**	2,000
Interest-bearing borrowings	14	**96,000**	97,412
Derivatives embedded in the Convertible Bonds	15	**–**	87
Convertible Bonds	15	**–**	4,388
Income tax payables		**179**	190
		182,247	183,698
Net current assets		**76,623**	74,399
Total assets less current liabilities		**297,064**	301,186
Non-current liability			
Deferred tax liabilities		**572**	572
Net assets		**296,492**	300,614
Capital and reserves			
Share capital	16	**91,106**	91,106
Reserves		**205,386**	209,508
Total equity		**296,492**	300,614

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the Company						
	Share capital RMB'000	Statutory reserve RMB'000 *(Note (a))*	Exchange reserve RMB'000	Retained earnings RMB'000	Special reserve RMB'000 *(Note (b))*	Other reserve RMB'000 *(Note (c))*	Total RMB'000
As at 1 January 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 the 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
As at 1 January 2016 (audited)	**91,106**	**37,191**	**451**	**166,149**	**(83)**	**5,800**	**300,614**
Loss for the period	**–**	**–**	**–**	**(4,098)**	**–**	**–**	**(4,098)**
Other comprehensive expense for the period:							
Exchange differences arising on translation of foreign operations	**–**	**–**	**(24)**	**–**	**–**	**–**	**(24)**
Total comprehensive expense for the period	**–**	**–**	**(24)**	**(4,098)**	**–**	**–**	**(4,122)**
As at 30 June 2016 (unaudited)	**91,106**	**37,191**	**427**	**162,051**	**(83)**	**5,800**	**296,492**

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 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash generated from (used in) operations		
Increase in inventories	**(746)**	(11,809)
Decrease in trade and bills receivables	**8,564**	4,965
Decrease (increase) in prepayments and other receivables	**9,900**	(2,666)
Increase in trade and bills payables	**3,146**	2,936
Increase (decrease) in accruals and other payables	**1,513**	(7,006)
Change in fair value of derivative component of Convertible Bonds	**–**	13,835
Other operating cash flows	**12,295**	(3,256)
	34,672	(3,001)
Income tax paid	**(1,969)**	(1,977)
Net cash generated from (used in) operating activities	**32,703**	(4,978)
Net cash generated from (used in) investing activities		
Purchase of property, plant and equipment	**(6,831)**	(6,677)
Other investing cash flows	**7,878**	(3,310)
	1,047	(9,987)
Net cash (used in) generated from financing activities		
New borrowings raised	**74,000**	110,000
Repayment of borrowings	**(75,412)**	(98,860)
Repayment of Convertible Bonds	**(4,726)**	–
Proceeds from issuance of Convertible Bonds	**–**	36,111
Other financing cash flows	**(2,349)**	(8,640)
	(8,487)	38,611
Net increase in cash and cash equivalents	**25,263**	23,646
Cash and cash equivalents at 1 January	**76,175**	51,925
Effect of foreign exchange rate changes	**87**	(252)
Cash and cash equivalents at 30 June, represented by cash and bank balances	**101,525**	75,319

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 Company and its subsidiaries (the "**Group**") are principally engaged in the manufacturing of knitted fabrics and innerwear. The ultimate holding company of the Company is Junfun Investment Limited ("**Junfun**"), a limited liability company incorporated in the Cayman Islands.

The condensed consolidated interim financial information of the Group is presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and its subsidiaries located in the PRC. Other than those PRC subsidiaries, the functional currency of those subsidiary established in Myanmar is denoted in Kyat.

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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

In the current period, the Group has applied, for the first time, the following new standards, amendments and interpretation ("**new HKFRSs**") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2016:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current period and prior years 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 and profit information for the Group's reportable segments for the six months ended 30 June 2016 and 2015, respectively.

	Six months ended 30 June 2016		
	Innerwear products RMB'000 (Unaudited)	**Knitted fabrics RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Revenue			
External sales	**127,594**	**51,642**	**179,236**
Inter-segment revenue	**85,651**	**19,658**	**105,309**
Elimination	**(85,651)**	**(19,658)**	**(105,309)**
Group's revenue	**127,594**	**51,642**	**179,236**
Segment profit (loss)	**6,036**	**(1,435)**	**4,601**
Other income			**421**
Finance costs			**(2,345)**
Unallocated head office and corporate expenses			**(4,784)**
Loss before tax			**(2,107)**

3. SEGMENT INFORMATION *(Continued)*

	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)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment profit or loss represents the profit earned or loss made by each segment without allocation of bank interest income, certain other income, directors' emoluments, change in fair value of derivative component of the Convertible Bonds, finance costs and unallocated head office and corporate expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at the prevailing market prices.

3. SEGMENT INFORMATION *(Continued)*

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Innerwear products	**176,191**	176,731
Knitted fabrics	**186,359**	214,670
Unallocated assets	**116,761**	93,483
Total assets	**479,311**	484,884
Innerwear products	**59,984**	49,667
Knitted fabrics	**25,819**	31,450
Unallocated liabilities	**97,016**	103,153
Total liabilities	**182,819**	184,270

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

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

All liabilities are allocated to operating segments other than other payables for general operating, income tax payables, interest-bearing borrowings, derivatives embedded in the Convertible Bonds, convertible bonds and deferred tax liabilities.

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	**421**	377
Exchange gain, net	**740**	1,344
Sales of scrap material	**414**	380
Gain on disposal of property, plant and equipment, net	**508**	–
Government subsidies	**–**	50
Others	**110**	38
	2,193	2,189

5. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Wholly repayable within five years:		
Interest on bank loans	**2,240**	2,747
Interest on Convertible Bonds	**119**	322
Less: amounts capitalised in the cost of qualifying assets	**(14)**	(91)
	2,345	2,978

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax		
– Provision for the year	**2,043**	1,207
– Over provision in prior years	**(85)**	(578)
Deferred tax	**33**	(189)
	1,991	440

7. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Salaries and other benefits	**44,958**	42,546
Contributions to retirement benefit scheme	**4,462**	3,894
Total staff costs (including directors' emoluments)	**49,420**	46,440
Cost of inventories recognised as an expense	**145,310**	138,206
Amortisation of prepaid lease payments	**148**	148
Depreciation of property, plant and equipment	**12,807**	12,084
(Gain) loss on disposal of property, plant and equipment, net	**(508)**	908
Operating lease rentals in respect of rented premises	**182**	126

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (six months ended 30 June 2015: Nil). The directors of the Company have determined that no dividend will be paid in respect of the interim period.

9. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2016 is based on the loss attributable to owners of the Company of approximately RMB4,098,000 and weighted average number of ordinary shares of 411,947,330 in issue during the six months ended 30 June 2016.

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.

Diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary share outstanding during the six months ended 30 June 2016 and 2015.

During the six months ended 30 June 2015, the computation of diluted loss per share did not assume the conversion of the Company's outstanding Convertible Bonds since their exercise would result in a decrease in loss per share. During the six months ended 30 June 2016, the outstanding Convertible Bonds have matured and were fully redeemed by the Group.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB90,000 (six months ended 30 June 2015: approximately RMB1,412,000), resulting in a net gain on disposal of approximately RMB508,000 (six months ended 30 June 2015: net loss on disposal of approximately RMB908,000).

During the six months ended 30 June 2016, the Group acquired approximately RMB7,208,000 (six months ended 30 June 2015: RMB6,793,000) of property, plant and equipment.

11. DEPOSITS PAID TO ACQUIRE NON-CURRENT ASSETS

As at 31 December 2015, the Group paid deposits of approximately RMB363,000 (30 June 2016: N/A) to acquire certain property, plant and equipment for the expansion and improvement 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 and bills 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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 – 30 days	**44,972**	31,192
31 – 60 days	**14,730**	17,720
61 – 90 days	**917**	9,565
Over 90 days	**13,138**	23,844
	73,757	82,321

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 and bills payables, based on the invoice date at the end of the reporting period, is presented as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 – 30 days	**44,528**	37,440
31 – 90 days	**13,775**	19,921
91 – 180 days	**4,006**	4,242
Over 180 days	**3,014**	574
	65,323	62,177

14. INTEREST-BEARING BORROWINGS

During the six months ended 30 June 2016, the Group obtained new bank borrowings amounting to approximately RMB74,000,000 (six months ended 30 June 2015: RMB110,000,000) and repaid the bank borrowings amounting to approximately RMB75,412,000 (six months ended 30 June 2015: RMB98,860,000).

15. CONVERTIBLE BONDS

On 20 May 2015, the Company issued 6% convertible bonds with an aggregate principal amount of HK$50,000,000 (equivalent to approximately RMB39,683,000). The Convertible Bonds are denominated in HK$ 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 19 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 7% per annum.

During the six months ended 30 June 2016, the outstanding Convertible Bonds have matured, and the Company has fully redeemed them through cash.

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
Principal amount at date of issue	39,683	–	39,683
Loss arising on changes in fair value on initial recognition	(371)	14,527	14,156
Fair value at date of issue	39,312	14,527	53,839
Transaction costs	(2,607)	–	(2,607)
Effective interest expenses	294	–	294
Interest payable	(171)	–	(171)
Conversion of Convertible Bonds	(32,614)	(11,554)	(44,168)
Gain arising on changes in fair value	–	(2,936)	(2,936)
Exchange realignment	174	50	224
At 31 December 2015 (audited)	4,388	87	4,475
Effective interest expenses	**119**	**–**	**119**
Repayment of Convertible Bonds	**(4,835)**	**–**	**(4,835)**
Loss on redemption of Convertible Bonds (included in administrative expenses)	**330**	**(87)**	**243**
Exchange realignment	**(2)**	**–**	**(2)**
At 30 June 2016 (unaudited)	**–**	**–**	**–**

16. SHARE CAPITAL

Authorised:

As at 30 June 2016 and 31 December 2015, 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
Issued and fully paid:		
At 1 January 2014, 31 December 2014 and 1 January 2015 (audited)	380,000,000	46,938
Issue of shares upon conversion of Convertible Bonds	31,947,330	44,168
At 31 December 2015 (audited) and 30 June 2016 (unaudited)	411,947,330	91,106

During the year ended 31 December 2015, the Convertible Bonds with an aggregate principal amount of HK$44,278,997 (equivalent to approximately RMB35,142,000) were converted into 31,947,330 ordinary shares with no par value at a conversion price of HK$1.386 per share. No such conversion of shares occurred during the six months ended 30 June 2016.

All the ordinary shares issued during the year ended 31 December 2015 rank pari passu with the then existing shares in all respects.

17. CAPITAL COMMITMENT

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Amount contracted for but not provided for in respect of acquisition of property, plant and equipment	–	148

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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Prepaid lease payments	**11,978**	12,127
Property, plant and equipment	**97,408**	100,065
Restricted bank deposits	**14,125**	15,984
Bills receivable	**–**	4,000
	123,511	132,176

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	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	**3,307**	4,725
Post-employment benefits	**45**	35
	3,352	4,760

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

A sales and purchase agreement was entered into between a controlling shareholder of the Company (the "**Vendor**") and an independent third party (the "**Purchaser**") to sell 241,836,000 shares, representing 58.71% of the issued share capital of the Company to the Purchaser. The consideration for the transaction of approximately HK$385,003,000 (equivalent to HK$1.592 per sale shares) was agreed between the Purchaser and the Vendor after arm's length negotiations. The transaction was completed on 29 July 2016.

21. APPROVAL OF THE FINANCIAL STATEMENTS

These unaudited condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2016.