The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants of our Group, SHINEWING (HK) CPA Limited.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
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33 Hysan Avenue
Causeway Bay, Hong Kong

14 November 2011

The Directors
Grand Concord International Holdings Limited
Celestial Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Grand Concord International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 (the "Track Record Periods") for inclusion in the prospectus of the Company dated 14 November 2011 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 British Virgin Islands (2004) on 8 December 2010. Pursuant to a group reorganisation completed on 22 February 2011 (the "Reorganisation") as more fully explained in the paragraph headed "Reorganisation" in Appendix V to the Prospectus, the Company became the holding company of the companies comprising the Group.

As at the date of this report, the particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation or establishment/ operation	Attributable equity interest held by the Company		Issued and fully paid share capital/ registered capital	Principal activities
		Direct	**Indirect**		
Grand Concord Holdings Group Limited ("Grand Concord (BVI)")	BVI 8 December 2010	100%	—	Share capital USD1	Investment holding
Grand Concord Trading Limited ("Grand Concord (HK)") 廣豪貿易有限公司	Hong Kong 30 November 1995	—	100%	Share capital HKD2	Investment holding

Name	Place and date of incorporation or establishment/ operation	Attributable equity interest held by the Company Direct	Indirect	Issued and fully paid share capital/ registered capital	Principal activities
Grand Concord Garment (Hong Kong) Limited ("Grand Concord Garment") 廣豪服飾(香港)有限公司	Hong Kong 3 June 2010	—	100%	Share capital HKD1	Trading of garments
Zhucheng Eternal Knitting Co., Limited ("Zhucheng Eternal Knitting") 諸城裕泰針織有限公司 *(Note (i) and (ii))*	The People's Republic of China (the "PRC") 24 October 2000	—	100%	Registered capital USD1,300,000	Manufacture of innerwear
Zhucheng Yumin Knitting Co., Limited ("Zhucheng Yumin Knitting") 諸城裕民針織有限公司 *(Note (i) and (ii))*	The PRC 22 November 2004	—	100%	Registered capital USD2,600,000	Manufacture of fabrics, provision of fabric weaving knitting, printing and dyeing services
Shandong Grand Concord Garment Co., Limited ("Shandong Grand Concord") 山東廣豪服飾有限公司 *(Note (i) and (ii))*	The PRC 9 July 2007	—	100%	Registered capital USD850,000	Manufacture of innerwear and garments

Notes:

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

(ii) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

All the companies now comprising the Group have adopted 31 December as their financial year end date.

No audited statutory financial statements have been prepared for the Company and Grand Concord (BVI) as they have not carried out any business since their respective dates of incorporation, other than acting as investment holding company, and no such statutory requirement in their countries of incorporation. For the purpose of this report, we have, however, reviewed all the relevant transactions of these companies since their respective dates of incorporation to the date of this report and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies.

The audited statutory financial statements of Zhucheng Eternal Knitting, Zhucheng Yumin Knitting and Shandong Grand Concord were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC.

The audited statutory financial statements of Grand Concord (HK) and Grand Concord Garment were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The statutory auditors of the above companies during the Track Record Periods are as follows:

Name of subsidiary	Financial period	Name of auditor
Zhucheng Eternal Knitting	For the years ended 31 December 2008, 2009 and 2010	Zhucheng Zhengben Certified Public Accountants Co. Limited
Zhucheng Yumin Knitting	For the years ended 31 December 2008, 2009 and 2010	Zhucheng Qianxi Certified Public Accountants Co. Limited
Shandong Grand Concord	For the years ended 31 December 2008, 2009 and 2010	Zhucheng Qianxi Certified Public Accountants Co. Limited
Grand Concord (HK)	For the years ended 31 December 2008 and 2009	Servman & Co., Certified Public Accountants
	For the year ended 31 December 2010	SHINEWING (HK) CPA Limited
Grand Concord Garment	For the period from 3 June 2010 (date of incorporation) to 31 December 2010	SHINEWING (HK) CPA Limited

No statutory financial statements for the six months ended 30 June 2011 were prepared for Zhucheng Eternal Knitting, Zhucheng Yumin Knitting, Shandong Grand Concord, Grand Concord (HK) and Grand Concord Garment as there is no such statutory requirement.

For the purpose of this report, the financial statements of the Company and the consolidated financial statements of Grand Concord (HK) for the Track Record Periods, which were prepared in accordance with HKFRSs, have been audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Periods in accordance with HKFRSs issued by the HKICPA ("Underlying Financial Statements"). We have carried out an independent audit on the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA and have also examined the audited Underlying Financial Statements and carried out such additional procedures as necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information of the Group for the Track Record Periods set out in this report has been prepared in accordance with HKFRS based on the Underlying Financial Statements and is presented, on the basis set out in Note 1 to the Financial Information. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for the inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the respective companies who approve their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our audit procedures.

In our opinion, on the basis of preparation set out in Section B "Notes to the financial information" below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at 31 December 2008, 2009 and 2010 and 30 June 2011, and of the consolidated results and consolidated cash flows of the Group for the Track Record Periods.

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended 30 June 2010 together with the notes thereto have been extracted from the Group's unaudited consolidated financial statements for the same period (the "30 June 2010 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 June 2010 Financial Information in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 30 June 2010 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 June 2010 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2010 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*7*	136,188	194,912	378,289	101,357	140,158
Cost of sales		(102,519)	(127,496)	(272,644)	(72,784)	(93,516)
Gross profit		33,669	67,416	105,645	28,573	46,642
Other income and gains	*9*	372	533	3,896	367	110
Selling and distribution expenses		(4,443)	(5,846)	(10,391)	(2,388)	(3,973)
Share-based payment	*32*	—	—	—	—	(5,800)
Administrative expenses		(15,777)	(17,720)	(27,984)	(12,174)	(23,536)
Finance costs	*10*	(4,371)	(3,646)	(4,761)	(2,099)	(2,777)
Profit before tax		9,450	40,737	66,405	12,279	10,666
Income tax expense	*11*	(2,002)	(9,125)	(12,934)	(2,786)	(6,549)
Profit for the year/period	*12*	7,448	31,612	53,471	9,493	4,117
Other comprehensive income (expense) for the year/period:						
Exchange differences arising on translation of foreign operations		598	(166)	195	92	70
Total comprehensive income for the year/period		8,046	31,446	53,666	9,585	4,187
Earnings per share:	*16*					
— Basic and diluted (RMB)		0.02	0.08	0.14	0.02	0.01

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Group				The Company
		As at 31 December			As at 30 June	As at 30 June
		2008	2009	2010	2011	2011
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
						(Note)
Non-current assets						
Property, plant and equipment	*17*	76,189	84,879	113,739	118,857	—
Investment property	*18*	1,488	1,447	—	—	—
Prepaid lease payments	*19*	10,764	10,516	13,316	13,167	—
Deposits paid to acquire non-current assets	*20*	4,472	2,374	1,399	8,113	—
Investment in a subsidiary	*21*	—	—	—	—	83
Prepayment	*25*	—	—	—	239	—
Deferred tax assets	*22*	800	774	1,318	2,091	—
		93,713	99,990	129,772	142,467	83
Current assets						
Inventories	*23*	20,831	24,690	51,400	100,473	—
Trade receivables	*24*	7,959	13,348	54,854	31,661	—
Prepayments and other receivables	*25*	5,944	6,336	17,097	22,135	—
Amounts due from shareholders	*37*	—	—	—	3,731	—
Amount due from a related party	*37*	—	—	957	2,954	—
Prepaid lease payments	*19*	242	242	297	297	—
Restricted bank deposits	*26*	10,905	25,922	9,600	8,210	—
Cash and bank balances	*26*	3,870	19,761	9,454	16,665	—
		49,751	90,299	143,659	186,126	—
Current liabilities						
Trade and bills payables	*27*	38,312	51,615	55,038	53,764	—
Accruals and other payables	*28*	5,771	4,679	10,712	12,247	—
Advance from customers		257	1,109	408	671	—
Amount due to a shareholder	*37*	8,015	4,281	1,559	—	—
Amounts due to related parties	*37*	178	1,683	728	753	—
Interest-bearing borrowings	*29*	54,167	58,156	67,813	113,046	—
Income tax payable		1,128	3,875	4,616	5,568	—
		107,828	125,398	140,874	186,049	—

		The Group				The Company
		As at 31 December			As at 30 June	As at 30 June
		2008	2009	2010	2011	2011
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Note)*
Net current (liabilities) assets		(58,077)	(35,099)	2,785	77	—
Total assets less current liabilities		35,636	64,891	132,557	142,544	83
Non-current liabilities						
Deferred tax liabilities	*22*	191	—	—	—	—
Interest-bearing borrowings	*29*	6,000	4,000	18,000	18,000	—
		6,191	4,000	18,000	18,000	—
Net assets		29,445	60,891	114,557	124,544	83
Capital and reserves						
Share capital	*30*	—	—	—	83	83
Reserves		29,445	60,891	114,557	124,461	—
Total equity		29,445	60,891	114,557	124,544	83

Note:

The statements of financial position as at 31 December 2008 and 2009 of the Company are not presented as the Company was incorporated in the BVI with limited liability on 8 December 2010. As at 31 December 2010, the Company had one issued ordinary share of HKD0.01 outstanding and minimal assets on the statement of financial position.

During the six months ended 30 June 2011, the Company allotted and issued an aggregate of 9,999,999 new shares of HKD0.01 each in exchange for the entire interest in Grand Concord (HK). Details are set out in Note 30.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *RMB'000* *(Note 30)*	Statutory reserve *RMB'000* *(Note 31(a))*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Special reserve *RMB'000* *(Note 31(b))*	Other reserve *RMB'000* *(Note 31(c))*	Total *RMB'000*
As at 1 January 2008	—	5,117	1,720	14,562	—	—	21,399
Total comprehensive income for the year	—	—	598	7,448	—	—	8,046
Appropriations to statutory reserve	—	1,688	—	(1,688)	—	—	—
As at 31 December 2008 and 1 January 2009	—	6,805	2,318	20,322	—	—	29,445
Total comprehensive (expense) income for the year	—	—	(166)	31,612	—	—	31,446
Appropriations to statutory reserve	—	5,408	—	(5,408)	—	—	—
As at 31 December 2009 and 1 January 2010	—	12,213	2,152	46,526	—	—	60,891
Total comprehensive income for the year	—	—	195	53,471	—	—	53,666
Appropriations to statutory reserve	—	6,238	—	(6,238)	—	—	—
As at 31 December 2010 and 1 January 2011	—	18,451	2,347	93,759	—	—	114,557
Total comprehensive income for the period	—	—	70	4,117	—	—	4,187
Issue of new shares upon reorganisation	83	—	—	—	(83)	—	—
Recognition of share-based payment *(Note 32)*	—	—	—	—	—	5,800	5,800
Appropriations to statutory reserve	—	7	—	(7)	—	—	—
As at 30 June 2011	83	18,458	2,417	97,869	(83)	5,800	124,544
Unaudited							
At 1 January 2010	—	12,213	2,152	46,526	—	—	60,891
Total comprehensive income for the period	—	—	92	9,493	—	—	9,585
As at 30 June 2010	—	12,213	2,244	56,019	—	—	70,476

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Operating activities					
Profit before tax	9,450	40,737	66,405	12,279	10,666
Adjustments for:					
Depreciation of property, plant and equipment	6,717	7,653	10,407	4,868	6,094
Depreciation of an investment property	37	36	13	10	—
Amortisation of prepaid lease payments	242	242	280	139	149
Impairment loss of trade receivables	28	—	—	—	—
Impairment loss of inventories	—	58	646	109	—
Share-based payment	—	—	—	—	5,800
Loss (gain) on disposal of property, plant and equipment	119	208	11	(5)	(37)
Finance costs	4,371	3,646	4,761	2,099	2,777
Interest income	(266)	(279)	(436)	(236)	(73)
Gain on disposal of an investment property and prepaid lease payments	—	—	(3,293)	—	—
Cash generated from operations before movements in working capital	20,698	52,301	78,794	19,263	25,376
Increase in inventories	(8,022)	(3,917)	(27,356)	(34,368)	(49,073)
Decrease (increase) in trade receivables	608	(5,389)	(41,506)	(1,781)	23,193
Decrease (increase) in prepayments and other receivables	2,495	(392)	(10,761)	(12,914)	(5,277)
Increase (decrease) in trade and bills payables	16,364	13,303	3,423	17,872	(1,274)
Increase (decrease) in accruals and other payables	2,084	(1,092)	6,033	3,102	1,535
(Decrease) increase in advance from customers	(239)	852	(701)	3,653	263
Cash generated from (used in) operations	33,988	55,666	7,926	(5,173)	(5,257)
PRC income tax paid	(914)	(6,544)	(12,737)	(5,229)	(6,378)
Net cash from (used in) operating activities	33,074	49,122	(4,811)	(10,402)	(11,635)

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Investing activities					
Purchase of property, plant and equipment	(22,797)	(13,668)	(38,541)	(26,916)	(9,522)
Purchase of prepaid lease payments	—	—	(2,705)	(2,705)	—
Interest received	266	279	436	236	73
Advanced to related party	—	—	(957)	—	(1,997)
Advanced to shareholders	—	—	—	—	(3,731)
(Increase) decrease in restricted bank deposits	(10,887)	(15,017)	16,322	(9,678)	1,390
Deposits paid to acquire non-current assets	(2,609)	(511)	(1,399)	—	(8,113)
Proceeds from disposal of property, plant and equipment	90	116	216	10	85
Net cash used in investing activities	(35,937)	(28,801)	(26,628)	(39,053)	(21,815)
Financing activities					
Repayment of borrowings	(46,444)	(114,997)	(141,915)	(8,180)	(18,022)
New borrowings raised	60,126	117,000	165,583	61,663	63,255
Interest paid	(4,779)	(4,036)	(5,203)	(2,251)	(3,116)
Advanced from (repayment to) related parties	48	1,505	(955)	(10,414)	25
(Repayment to) advanced from a shareholder	(4,663)	(3,734)	3,438	1,257	(1,559)
Net cash from (used in) financing activities	4,288	(4,262)	20,948	42,075	40,583
Net increase (decrease) in cash and cash equivalents	1,425	16,059	(10,491)	(7,380)	7,133
Cash and cash equivalents at the beginning of the year/period	1,973	3,870	19,761	19,761	9,454
Effect of foreign exchange rate changes	472	(168)	184	72	78
Cash and cash equivalents at the end of the year/period, represented by cash and bank balances	3,870	19,761	9,454	12,453	16,665

B. NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION OF FINANCIAL INFORMATION

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 British Virgin Islands (2004) on 8 December 2010. Pursuant to the group reorganisation completed on 22 February 2011 (the "Reorganisation") as more fully explained in the section headed "Reorganisation" in Appendix V to the Prospectus, the Company became the holding company of the companies now comprising the Group throughout the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 (the "Track Record Periods"). The Company and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the Company and its subsidiaries resulting from the Reorganisation is regarded and accounted for as a continuing entity. The executive directors of the Company, Mr. Wong Kin Ling and Ms. Hung Kin remained the executive directors and controlling shareholders of the Company before and after the Reorganisation. Accordingly, the financial information (the "Financial Information") of the Group has been prepared on the basis as if the Company had always been the holding company of the Group by applying the principles of merger accounting as set out in the Accounting Guideline 5 "Merger accounting for common control combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), as if the Reorganisation had occurred from the date when the combining entities first came under the control of the controlling shareholders.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Periods which include the results, changes in equity and cash flows of the companies now comprising the Group have been prepared as if the current group structure had been in existence throughout the Track Record Periods, or since their respective dates of incorporation/establishment or acquisition, where it is the shorter period.

The consolidated statements of financial position of the Group as at 31 December 2008, 2009 and 2010 and 30 June 2011 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates. All significant intra-group transactions, balances, income and expenses are eliminated on combination.

The Company is an investment holding company. The principal activities of the Group are engaged in the manufacturing of knitted fabrics and innerwear.

The Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Periods, the Group has applied all of the new and revised Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and interpretations ("HK(IFRIC) — INTs") (herein collectively referred to as "New HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on or after 1 January 2010 consistently for the Track Record Periods.

The Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective as at the date of the report.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (Revised)	Employee Benefits[4]
HKAS 27 (Revised)	Separate Financial Statements[4]
HKAS 28 (Revised)	Investments in Associates and Joint Ventures[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgment. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

The directors of the Company anticipate that the application of other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Periods are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investment in a subsidiary

Investment in a subsidiary is stated at cost less any identified impairment loss on the Company's statements of financial position.

Merger accounting for business combination involving entities under common control

The financial information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

All intra-group transactions, balances, income and expenses are eliminated.

Revenue recognition

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

Revenue from the sales of goods is recognised when the goods are delivered and title has passed.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Research expenditure

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

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis.

Retirement benefit costs

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated statements of comprehensive income in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probably that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax for the period is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on the derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress includes property, plant and equipment in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are determined on a weighted average basis.

Cash and cash equivalents

Cash and bank balances in the consolidated statements of financial position comprise cash at banks and on hand and short-term deposits with original maturity of three months or less.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets comprise loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, restricted bank deposits, cash and bank balances, amounts due from shareholders/a related party) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below).

Interest income is recognised by apply the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— breach of contract, such as default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30-60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amoritsed cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables and amount due from a related party where the carrying amount is reduced through the use of an allowance account. When trade receivables, other receivables and amount due from a related party is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets carried at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and bills payables, accruals and other payables, amount due to a shareholder, amounts due to related parties and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment loss on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Share-based payment

Shares transferred to employees

The fair value of services received are determined by reference to the fair value of the Company's shares received by the employees of the Company and net with the net present value of the consideration paid by the employees, and is recognised as an expense when the shares transferred immediately, with a corresponding increase in equity (other reserve).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and residual values of property, plant and equipment and investment property

Property, plant and equipment and investment property are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and investment property, and if the expectation differs from the original estimate, such a difference may impact the depreciation charged in the year and the estimate will be changed in the future period.

Impairment of inventories

The Group reviews an aging analysis at the end of each reporting period, and makes impairment for obsolete and slow-moving inventory items. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices. As at 31 December 2008, 2009 and 2010 and 30 June 2011, the carrying amounts of inventories are approximately RMB20,831,000, RMB24,690,000, RMB51,400,000 and RMB100,473,000 respectively, and the impairment loss of inventories were nil, approximately RMB58,000, RMB646,000 and nil, respectively.

Impairment of trade receivables and other receivables

The Group makes impairment based on assessment of the recoverability of trade and other receivables. The Group makes its estimates based on the aging of its trade and other receivables balances, debtors' creditworthiness, and historical write-off experience. If the financial condition of its debtors was deteriorated and, resulted in an impairment of their ability to make payments, impairment loss may be required. As at 31 December 2008, 2009 and 2010 and 30 June 2011, the carrying amounts of trade receivables are approximately RMB7,959,000, RMB13,348,000, RMB54,854,000 and RMB31,661,000 (net of allowance for doubtful debts of approximately RMB39,000, RMB39,000, RMB39,000 and RMB39,000), respectively. As at 31 December 2008, 2009 and 2010 and 30 June 2011, the carrying amounts of other receivables are approximately RMB2,551,000, RMB1,850,000, RMB5,651,000 and RMB8,572,000 respectively and no impairment on other receivables was made as at 31 December 2008, 2009 and 2010 and 30 June 2011.

Impairment of property, plant and equipment, investment property and prepaid lease payments

The Group assesses annually whether property, plant and equipment, investment property and prepaid lease payments have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment, investment property and prepaid lease payments have been determined based on value-in-use calculations. These calculations require the use of judgment and estimates. As at 31 December 2008, 2009 and 2010 and 30 June 2011, the carrying amounts of property, plant and equipment are approximately RMB76,189,000, RMB84,879,000, RMB113,739,000 and RMB118,857,000 respectively, and no impairment loss of property, plant and equipment was made as at 31 December 2008, 2009 and 2010 and 30 June 2011.

Income taxes

As at 31 December 2008, 2009 and 2010 and 30 June 2011, a deferred tax asset of approximately RMB405,000, RMB366,000, RMB472,000 and RMB464,000 respectively, in relation to unused tax losses has been recognised in the Group's consolidated statements of financial position. No deferred tax asset has been recognised on the tax losses of approximately RMB2,256,000, RMB5,021,000, RMB15,581,000 and RMB18,790,000 as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively, due to unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Valuation of share-based payment

The valuation of the fair value of the share transferred requires judgment in determining the dividends expected on the shares and the risk-free interest rate as at the date of transfer.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Periods.

The capital structure of the Group consists of net debt, which includes the interest-bearing borrowings as disclosed in Note 29, cash and cash equivalents and equity attributable to the owners of the Company, comprising share capital, reserves and retained earnings.

The directors of the Company regularly review and manage the Group's capital structure. As part of this review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues, new borrowings raised or repayment of existing borrowings.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

The Group

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loan and receivables (including cash and cash equivalents)	24,551	59,157	77,195	68,257
Financial liabilities at amortised cost	111,626	123,548	151,892	197,252

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, amounts due from shareholders/a related party, restricted bank deposits, cash and bank balances, trade and bills payables, accruals and other payables, amount due to a shareholder/related parties and interest-bearing borrowings. Details of the financial instruments are disclosed in respective notes. The risk arising from the Group's financial instruments are mainly credit risk, foreign currency risk, interest rate risk and liquidity risk. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

As at 31 December 2008, 2009 and 2010 and 30 June 2011, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position. The principal financial assets are trade and other receivables and cash and bank balances.

In order to minimise the credit risk, the directors of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the management aims at broadening the customer base by developing The People's Republic of China (the "PRC") and the United States markets for innerwear products. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in Japan and the PRC which accounted for 51%, 34%, 10%, 15% and 34%, 65%, 42%, 72% respectively of the total receivables as at 31 December 2008, 2009 and 2010 and 30 June 2011.

As at 31 December 2008, 2009, 2010 and 30 June 2011, the Group had certain concentration of credit risk as of approximately 44%, 27%, 79% and 48% of the total trade receivables were due from the Group's five largest customers respectively.

Bank balances are placed in various authorised institutions and the directors of the Company consider the credit risk of such authorised institutions is low.

Foreign currency risk

The Group has foreign currency sales, which expose the Group to foreign currency risk. During the Track Record Periods, approximately 86%, 85%, 64% and 68% respectively, of the Group's sales are denominated in United States dollars ("USD") which is different from the functional currencies of the group entities making the sale, whilst almost 99%, 99%, 99% and 99% respectively of costs are denominated in the functional currency of the Group.

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

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
USD	4,573	4,485	8,436	3,618
HKD	121	271	998	1,106
Liabilities				
USD	940	1,502	2,638	—
HKD	4,751	1,453	449	116
JPY	172	217	142	248

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% for all periods increase and decrease in the functional currency (RMB) against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in relevant foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates.

A positive or negative number below indicates an increase or a decrease in post-tax profit where RMB strengthens 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit.

HKD Impact
(Note i)

	Year ended 31 December			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase (decrease) in post-tax profit for the year	174	44	(21)	(37)

USD Impact
(Note ii)

	Year ended 31 December			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Decrease in post-tax profit for the year	(136)	(112)	(217)	(136)

	JPY Impact (Note iii)			
	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase in post-tax profit for the year	6	8	5	9

Notes:

(i) This is mainly attributable to the exposure on HKD denominated cash and bank balances, other receivables and interest-bearing borrowings at the end of each reporting period.

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

(iii) This is mainly attributable to the exposure on JPY denominated trade payables at the end of each reporting period.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate interest-bearing borrowings (see Note 29 for details of these borrowings). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate interest-bearing borrowings (see Note 29 for details of these borrowings). The Group's restricted bank deposits and bank balances also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The management considers the Group's exposure of the restricted bank deposits and bank balances to cash flow interest rate risk is not significant as the management does not anticipate significant fluctuation in interest rate on bank deposits. The Group has not used any financial instruments to hedge potential fluctuations in interest rates. To mitigate the impact of interest rate fluctuations, the Group manages its interest cost using an appropriate mix of fixed and variable rate debts.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rate offered from the People's Bank of China and the Hong Kong Inter-bank Offered Rate arising from the Group's interest-bearing borrowings.

Sensitivity analysis

The sensitivity analyses have been determined by the directors of the Company based on the exposure to interest rates for non-derivative instruments including restricted bank deposits, bank balances and interest-bearing borrowings. The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used for all periods when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

The directors of the Company consider that if interest rates had been 100 basis point higher/lower and all other variable were held constant, the Group's post-tax profit would decrease or increase by approximately RMB246,000, RMB387,000, RMB461,000 and RMB190,000 for Track Record Periods.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank facilities.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes both interest and principal cash flows. To the extent that interest cash flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

The Group

At 31 December 2008	**On demand or within one year**	**More than one year and less than two years**	**More than two years and less than five years**	**Total undiscounted cash flows**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities					
Trade and bills payables	38,312	—	—	38,312	38,312
Accruals and other payables	4,954	—	—	4,954	4,954
Amount due to a shareholder	8,015	—	—	8,015	8,015
Amounts due to related parties	178	—	—	178	178
Interest-bearing bank loans					
— fixed rate (Note)	43,490	—	—	43,490	42,167
— variable rate	10,147	—	—	10,147	10,000
Other loans					
— variable rate	2,533	2,367	4,193	9,093	8,000
	107,629	2,367	4,193	114,189	111,626

At 31 December 2009	**On demand or within one year**	**More than one year and less than two years**	**More than two years and less than five years**	**Total undiscounted cash flows**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities					
Trade and bills payables	51,615	—	—	51,615	51,615
Accruals and other payables	3,813	—	—	3,813	3,813
Amount due to a shareholder	4,281	—	—	4,281	4,281
Amounts due to related parties	1,683	—	—	1,683	1,683
Interest-bearing bank loans					
— fixed rate (Note)	52,390	—	—	52,390	50,156
Other loans					
— fixed rate	6,269	—	—	6,269	6,000
— variable rate	2,367	2,167	2,026	6,560	6,000
	122,418	2,167	2,026	126,611	123,548

At 31 December 2010	On demand or within one year	More than one year and less than two years	More than two years and less than five years	Total undiscounted cash flows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities					
Trade and bills payables	55,038	—	—	55,038	55,038
Accruals and other payables	8,754	—	—	8,754	8,754
Amount due to a shareholder	1,559	—	—	1,559	1,559
Amounts due to related parties	728	—	—	728	728
Interest-bearing bank loans					
— fixed rate *(Note)*	28,859	367	6,307	35,533	33,377
— variable rate *(Note)*	30,622	10,616	—	41,238	38,436
Other loans					
— fixed rate	10,051	—	—	10,051	10,000
— variable rate	2,167	2,026	—	4,193	4,000
	137,778	13,009	6,307	157,094	151,892

At 30 June 2011	On demand or within one year	More than one year and less than two years	More than two years and less than five years	Total undiscounted cash flows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities					
Trade and bills payables	53,764	—	—	53,764	53,764
Accruals and other payables	11,689	—	—	11,689	11,689
Amounts due to related parties	753	—	—	753	753
Interest-bearing bank loans					
— fixed rate *(Note)*	75,188	367	6,119	81,674	79,300
— variable rate *(Note)*	32,252	10,573	—	42,825	39,746
Other loans					
— fixed rate	10,183	—	—	10,183	10,000
— variable rate	136	2,085	—	2,221	2,000
	183,965	13,025	6,119	203,109	197,252

Note:

Bank loans with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 December 2008, 2009 and 2010 and 30 June 2011, the aggregate undiscounted principal amounts of these bank loans amounted to approximately RMB1,267,000, nil, RMB4,768,000 and RMB4,915,000 respectively. In the opinion of directors, the probability of the banks choosing to exercise their discretionary rights to demand immediate repayment is remote as such loans were fully covered by the pledge of certain machinery with the net book value of approximately RMB14,602,000 as at 30 June 2011 and the Group had no history of default or delay in principal nor interests payments. Accordingly, the directors believe that such bank loans will not be demanded by banks for immediate repayments and will be wholly repaid three years after the reporting date in accordance with the scheduled repayment dates as set out in the loan agreements. At 30 June 2011, the aggregate principal and interest cash outflows will amount to approximately RMB5,174,000.

c. Fair value

The fair value of the non-derivative financial assets and non-derivative financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rates.

The directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values due to their immediate or short-term maturities.

The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The directors of the Company consider the fair values of the other non-current liabilities approximate their carrying amounts as the impact of discounting is not significant.

7. REVENUE

Revenue represents the amounts received and receivable for sale of innerwear and garment and fabric, net of discounts and sales related taxes. Revenue is analysed as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Innerwear products	112,548	169,074	257,686	65,688	94,213
Knitted fabrics	23,640	25,838	120,603	35,669	45,945
	136,188	194,912	378,289	101,357	140,158

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments", which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The board of directors are the chief operating decision maker as they collectively make strategic decision towards the group entity's operation.

The Group's operating segments, by category of products, based on information reported to the chief operating decision maker (Chief Executive Officer) 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 accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of gain on disposal of investment property, rental income, interest income, depreciation of investment property, amortisation of prepaid lease payments, unallocated head office and corporate expenses. Segment assets do not include investment property, prepaid lease payments of investment property, amounts due from shareholders/a related party, prepayments for general operating, deferred tax assets, restricted bank deposits and cash and bank balances. Segment liabilities do not include amounts due to a shareholder/related parties, other payables for general operating, tax payables, interest-bearing borrowings and deferred tax liabilities.

Inter-segment sales are charged at prevailing market price.

An analysis of the Group's revenue, results, assets and liabilities for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 by operating segment is as follows:

	Year ended 31 December 2008		
	Innerwear products	Knitted fabrics	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
External sales	112,548	23,640	136,188
Inter-segment sales	966	53,551	54,517
Elimination	(966)	(53,551)	(54,517)
Group's revenue	112,548	23,640	136,188
Segment profit (loss)	14,781	(868)	13,913
Other income			372
Finance costs			(4,371)
Unallocated head office and corporate expenses (Note)			(464)
Profit before taxation			9,450
Segment assets	88,026	36,883	124,909
Unallocated assets:			
Cash and bank balances			3,870
Restricted bank deposits			10,905
Other receivables			4
Deferred tax assets			800
Prepaid lease payments			1,488
Investment property			1,488
Consolidated total assets			143,464
Segment liabilities	32,096	12,159	44,255
Unallocated liabilities:			
Deferred tax liabilities			191
Other payables			85
Income tax payable			1,128
Amount due to related parties			178
Amount due to a shareholder			8,015
Interest-bearing borrowings			60,167
Consolidated total liabilities			114,019

	Year ended 31 December 2009		
	Innerwear products	**Knitted fabrics**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
External sales	169,074	25,838	194,912
Inter-segment revenue	1,805	68,776	70,581
Elimination	(1,805)	(68,776)	(70,581)
Group's revenue	169,074	25,838	194,912
Segment profit	42,574	1,842	44,416
Other income			533
Finance costs			(3,646)
Unallocated head office and corporate expenses *(Note)*			(566)
Profit before taxation			40,737
Segment assets	93,648	46,824	140,472
Unallocated assets:			
Cash and bank balances			19,761
Restricted bank deposits			25,922
Other receivables			5
Deferred tax assets			774
Prepaid lease payments			1,446
Investment property			1,447
Prepayments			462
Consolidated total assets			190,289
Segment liabilities	44,540	12,766	57,306
Unallocated liabilities:			
Other payables			97
Income tax payable			3,875
Amounts due to related parties			1,683
Amount due to a shareholder			4,281
Interest-bearing borrowings			62,156
Consolidated total liabilities			129,398

	Year ended 31 December 2010		
	Innerwear products	**Knitted fabrics**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
External sales	257,686	120,603	378,289
Inter-segment revenue	29,468	101,725	131,193
Elimination	(29,468)	(101,725)	(131,193)
Group's revenue	257,686	120,603	378,289
Segment profit	45,866	22,993	68,859
Other income			3,896
Finance costs			(4,761)
Unallocated head office and corporate expenses *(Note)*			(1,589)
Profit before taxation			66,405
Segment assets	156,360	91,990	248,350
Unallocated assets:			
Cash and bank balances			9,454
Restricted bank deposits			9,600
Amount due from a related party			957
Deferred tax assets			1,318
Prepayments			3,752
Consolidated total assets			273,431
Segment liabilities	42,354	23,658	66,012
Unallocated liabilities:			
Other payables			146
Income tax payable			4,616
Amounts due to related parties			728
Amounts due to a shareholder			1,559
Interest-bearing borrowings			85,813
Consolidated total liabilities			158,874

	Six months ended 30 June 2011		
	Innerwear products	**Knitted fabrics**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
External sales	94,213	45,945	140,158
Inter-segment revenue	19,441	41,796	61,237
Elimination	(19,441)	(41,796)	(61,237)
Group's revenue	94,213	45,945	140,158
Segment profit	9,152	9,750	18,902
Other income			73
Finance costs			(2,777)
Unallocated head office and corporate expenses *(Note)*			(5,532)
Profit before taxation			10,666
Segment assets	169,446	122,013	291,459
Unallocated assets:			
Cash and bank balances			16,665
Restricted bank deposits			8,210
Amount due from a related party			2,954
Amounts due from shareholders			3,731
Deferred tax assets			2,091
Prepayments			3,483
Consolidated total assets			328,593
Segment liabilities	35,422	31,166	66,588
Unallocated liabilities:			
Other payables			94
Income tax payable			5,568
Amounts due to related parties			753
Interest-bearing borrowings			131,046
Consolidated total liabilities			204,049

	Six months ended 30 June 2010 (Unaudited)		
	Innerwear products	**Knitted fabrics**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
External sales	65,688	35,669	101,357
Inter-segment revenue	4,608	33,765	38,373
Elimination	(4,608)	(33,765)	(38,373)
Group's revenue	65,688	35,669	101,357
Segment profit	5,313	9,087	14,400
Other income			362
Finance costs			(2,099)
Unallocated head office and corporate expenses *(Note)*			(384)
Profit before taxation			12,279

Note:

Depreciation of investment property approximately RMB37,000, RMB36,000, RMB13,000, RMB10,000 and nil are included in unallocated head office and corporate expenses for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively.

Depreciation of prepaid lease payments approximately RMB37,000, RMB36,000, RMB13,000, RMB10,000 and nil are included in unallocated head office and corporate expenses for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively.

Directors' salaries are included in unallocated head office and corporate expenses for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively.

Other segment information:

	Year ended 31 December 2008			
	Innerwear products	**Knitted fabrics**	**Unallocated**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation and amortisation	4,134	2,788	74	6,996
Impairment loss of trade receivables	—	28	—	28
Loss on disposal of property, plant and equipment	—	119	—	119
Additions to property, plant and equipment	17,818	6,545	—	24,363
Additions to deposits paid to acquire non-current assets	—	2,609	—	2,609
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Bank interest income	(249)	(17)	—	(266)
Finance costs	3,091	1,280	—	4,371
Income tax expense	1,495	507	—	2,002

	Year ended 31 December 2009			
	Innerwear products	Knitted fabrics	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation and amortisation	4,705	3,154	72	7,931
Impairment loss of inventories	46	12	—	58
Loss on disposal of property, plant and equipment	—	208	—	208
Additions to property, plant and equipment	7,672	8,644	351	16,667
Additions to deposits paid to acquire non-current assets	—	511	—	511
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Bank interest income	(241)	(38)	—	(279)
Finance costs	2,691	955	—	3,646
Income tax expense	7,134	1,991	—	9,125

	Year ended 31 December 2010			
	Innerwear products	Knitted fabrics	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation and amortisation	5,719	4,955	26	10,700
Impairment loss of inventories	444	202	—	646
Loss on disposal of property, plant and equipment	11	—	—	11
Additions to property, plant and equipment	18,439	20,613	442	39,494
Additions to deposits paid to acquire non-current assets	—	1,399	—	1,399
Additions to prepaid lease payments	—	4,568	—	4,568
Gain on disposal of investment property and prepaid lease payments	—	—	(3,293)	(3,293)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Bank interest income	(418)	(18)	—	(436)
Finance costs	3,175	1,586	—	4,761
Income tax expense	7,308	5,626	—	12,934

	Six months ended 30 June 2011			
	Innerwear products	Knitted fabrics	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation and amortisation	3,270	2,973	—	6,243
Additions to property, plant and equipment	5,959	4,963	338	11,260
Additions to deposits paid to acquire non-current assets	4,818	3,295	—	8,113
Gain on disposal of property, plant and equipment	(37)	—	—	(37)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Bank interest income	(60)	(11)	(2)	(73)
Finance costs	1,439	1,338	—	2,777
Income tax expense	2,594	3,955	—	6,549

	Six months ended 30 June 2010 (Unaudited)			
	Innerwear products	Knitted fabrics	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation and amortisation	2,895	2,102	20	5,017
Impairment loss of inventories	—	109	—	109
Gain on disposal of property, plant and equipment	(5)	—	—	(5)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Bank interest income	(228)	(8)	—	(236)
Finance costs	1,468	631	—	2,099
Income tax expense	1,318	1,468	—	2,786

Geographical information:

The Group's revenue from external customers is determined by the destination where the products are delivered and information about its non-current assets by geographical location of the assets are detailed as follows:

	Revenue from external customers					Non-current assets (Note)			
	Year ended 31 December			Six months ended 30 June		As at 31 December			As at 30 June
	2008	2009	2010	2010	2011	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Japan	114,974	160,595	196,443	56,869	78,428	—	—	—	—
The PRC (country of domicile)	20,040	32,289	148,896	44,488	45,159	92,913	99,216	128,454	140,376
America	—	—	30,249	—	14,552	—	—	—	—
Others	1,174	2,028	2,701	—	2,019	—	—	—	—
	136,188	194,912	378,289	101,357	140,158	92,913	99,216	128,454	140,376

Note: Non-current assets excluded deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Customer A[1, 3 and 5]	22,568	N/A	N/A	N/A	N/A
Customer B[1, 3 and 5]	22,351	N/A	N/A	N/A	N/A
Customer C[1, 3 and 5]	20,289	N/A	N/A	N/A	N/A
Customer D[1, 3 and 5]	18,260	N/A	N/A	N/A	N/A
Customer E[1, 3 and 6]	N/A	60,075	128,007	17,987	38,126
Customer F[2, 4 and 7]	N/A	N/A	N/A	10,438	15,407

1 Revenue from manufacture of innerwear products
2 Revenue from manufacture of knitted fabrics
3 Revenue from overseas customers
4 Revenue from PRC customers
5 Revenue contributions from customer A, B, C and D were less than 10% of the Group's total revenue for the years ended 31 December 2009 and 2010 and for the 6 months ended 2010 and 2011
6 No revenue was recorded from customer E for the year ended 31 December 2008
7 No revenue was recorded from customer F for the year ended 31 December 2008, and revenue contributions were less than 10% of the Group's total revenue for the years ended 31 December 2009 and 2010.

9. OTHER INCOME AND GAINS

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Interest income	266	279	436	236	73
Rental income	106	254	167	126	—
Gain on disposal of an investment property and prepaid lease payments *(Note)*	—	—	3,293	—	—
Gain on disposal of property, plant and equipment	—	—	—	5	37
	372	533	3,896	367	110
Gross rental income from an investment property	106	254	167	126	—
Less:					
Direct operating expenses from an investment property that generated rental income	(21)	(26)	(13)	(8)	—
	85	228	154	118	—

Note: During the year ended 31 December 2010, a sale and purchase agreement of an investment property owned by the Group was signed between Grand Concord (HK) and Sea Union International Limited ("Sea Union"), which is a related party of the Group. Please refer to Note 37(ii)(e) for details. The investment property and prepaid lease payment with an carrying amount approximately RMB1,434,000 and RMB1,433,000 respectively have been sold at a consideration of HKD7,000,000 (equivalent to approximately RMB6,160,000) and a gain of approximately RMB3,293,000 was recognised in the year ended 31 December 2010.

10. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Interest on bank loans wholly repayable within five year	3,776	3,423	4,573	1,959	2,633
Interest on other loans wholly repayable within five year	1,003	613	630	292	483
	4,779	4,036	5,203	2,251	3,116
Less: amounts capitalised in the cost of qualifying assets	(408)	(390)	(442)	(152)	(339)
	4,371	3,646	4,761	2,099	2,777

Borrowing costs capitalised arose on the general borrowing pool are calculated by applying a capitalisation rate of 6%, 5%, 6%, 6% and 6% for the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2010 and 2011 respectively per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Current tax:					
Provision for the year					
— PRC Enterprise Income Tax (the "EIT")	1,967	9,291	13,278	3,444	7,330
— Hong Kong Profits Tax	—	—	218	—	—
Deferred tax *(Note 22)*	35	(166)	(562)	(658)	(781)
	2,002	9,125	12,934	2,786	6,549

(i) Overseas income tax

Pursuant to the rules and regulations of the BVI, the BVI subsidiary and the Company are not subject to any income tax in the BVI.

(ii) Hong Kong Profits Tax

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, the applicable tax rate for the subsidiaries corporated in Hong Kong is 16.5% for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011.

For the years ended 31 December 2008 and 2009, no provision for Hong Kong Profits Tax had been made as the Hong Kong subsidiary has unused tax loss available to offset against assessable profits.

For the year ended 31 December 2010, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

For the six months ended 30 June 2010 and 30 June 2011, no provision for Hong Kong Profits Tax has been made as there was no estimated assessable profit derived from Hong Kong subsidiaries.

(iii) EIT

On 16 March 2007, the National People's Congress promulgated the "Corporate Income Tax Law of the PRC" which became effective from 1 January 2008. Entities with original applicable income tax rate of 33% in year 2007 are subject to income tax rate of 25% from 1 January 2008 onwards.

Pursuant to Guo Fa [2007]39 document, starting from 1 January 2008, entities which originally enjoyed "two-year tax exemption and three-year 50% reduction" continue to follow the original tax laws, administrative regulations and relevant documents until respective expiration dates. However, those having been entitled to preferential income tax treatment while not yet started the tax holiday as a result of tax losses, the preferential period started from 2008 onwards based on income tax rate of 25%.

Zhucheng Eternal Knitting commenced its tax holiday in 2004 and enjoyed a 50% reduction of EIT for the year ended 31 December 2008. Accordingly, the applicable tax rate of Zhucheng Eternal Knitting was 12.5% for the year ended 31 December 2008 and the applicable tax rate of 25% for years ended 31 December 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively.

The first profit-making year of Zhucheng Yumin Knitting was 2006 and it enjoyed 50% reduction of EIT and the applicable tax rate of Zhucheng Yumin Knitting was 12.5% for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010. The applicable tax rate of Zhucheng Yumin Knitting was 25% for the six months ended 30 June 2011.

No provision of EIT has been made for Shandong Grand Concord as Shandong Grand Concord did not have any assessable profits subject to EIT for the Track Record Periods.

(iv) Withholding tax

According to the joint circular of the Ministry of Finance and State Administration of Taxation — Cai Shui 2008 No. 1, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax liabilities of approximately RMB191,000 associated with the undistributed earnings of PRC subsidiaries have been charged to the consolidated statements of comprehensive income for the year ended 31 December 2008. Deferred taxation has not been provided for the years ended 31 December 2009 and 2010 and the six months ended 30 June 2011 in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB25,637,000, RMB81,083,000 and RMB95,012,000 as at 31 December 2009 and 2010 and 30 June 2011 respectively as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such temporary differences will not reverse in the foreseeable future.

The tax charge can be reconciled to the profit before tax per the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit before tax	9,450	40,737	66,405	12,279	10,666
Tax at the domestic income rate of 25%	2,363	10,184	16,601	3,070	2,666
Tax effect of non-taxable income	—	—	(823)	—	(4)
Tax effect of non-deductible expenses	439	158	307	851	2,947
Deferred tax liabilities associated with undistributed profit of PRC subsidiaries	191	—	—	—	—
Effect of different tax rates of subsidiaries' operations in other jurisdictions and tax on concessionary tax rate	(1,555)	(1,908)	(5,791)	(1,230)	(220)
Withholding tax on distributed profit	—	—	—	—	358
Tax effect of tax losses not recognised	564	691	2,640	95	802
Tax charge for the year/period	2,002	9,125	12,934	2,786	6,549

12. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Profit for the year/period has been arrived at after charging (crediting):					
Salaries and other benefits	22,823	27,525	42,964	18,832	24,450
Share-based payment	—	—	—	—	5,800
Contributions to retirement benefit scheme	780	1,236	1,691	704	1,310
Total staff costs (including directors' emoluments)	23,603	28,761	44,655	19,536	31,560
Auditors' remuneration	16	16	26	—	815
Cost of inventories recognised as an expense	102,519	127,438	271,998	72,675	93,516
Amortisation of prepaid lease payments	242	242	280	139	149
Depreciation of property, plant and equipment	6,717	7,653	10,407	4,868	6,094
Depreciation of an investment property	37	36	13	10	—
Impairment loss of trade receivables (included in administrative expenses)	28	—	—	—	—
Exchange difference, net	438	236	1,449	159	1,017
Loss (gain) on disposal of property, plant and equipment	119	208	11	(5)	(37)
Gain on disposal of investment property and prepaid lease payments	—	—	(3,293)	—	—
Impairment loss of inventories (included in cost of sales)	—	58	646	109	—
Research expenditure	—	89	188	—	—
Operating lease rentals in respect of rented premises	160	151	197	52	299

13. DIRECTORS' EMOLUMENTS

The details of directors' emoluments of each of the director for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 are set out below:

For the year ended 31 December 2008:

Name of Director	Fees	Salaries and other benefits	Contributions to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Wong Kin Ling	—	129	4	133
Ms. Hung Kin	—	129	4	133
	—	258	8	266

For the year ended 31 December 2009:

Name of Director	Fees	Salaries and other benefits	Contributions to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Wong Kin Ling	—	127	4	131
Ms. Hung Kin	—	127	4	131
	—	254	8	262

For the year ended 31 December 2010:

Name of Director	Fees	Salaries and other benefits	Contributions to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Wong Kin Ling	—	126	4	130
Ms. Hung Kin	—	126	4	130
	—	252	8	260

For the six months ended 30 June 2010 (Unaudited):

Name of Director	Fees	Salaries and other benefits	Contributions to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Wong Kin Ling	—	63	2	65
Ms. Hung Kin	—	63	2	65
	—	126	4	130

For the six months ended 30 June 2011:

Name of Director	Fees	Salaries and other benefits	Contributions to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Wong Kin Ling	—	73	2	75
Ms. Hung Kin	—	244	2	246
	—	317	4	321

No directors waived or agreed to waive any emolument paid by the Group during the Track Record Periods and the six months ended 30 June 2010. No emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Periods and the six months ended 30 June 2010.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two, two, two, two and one were directors of the Company for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, whose emoluments are set out in Note 13 above. The aggregate of the emoluments in respect of the remaining three, three, three, three and four individuals for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 were as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other benefits	142	270	1,918	960	1,647
Share-based payment	—	—	—	—	5,800
Contributions to retirement benefit scheme	2	2	2	—	—
	144	272	1,920	960	7,447

Their emoluments were within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	No. of employees	*No. of employees*	*No. of employees*	*No. of employees*	*No. of employees*
Nil to HKD1,000,000 (equivalent to nil to RMB847,500)	3	3	2	3	2
HKD1,500,001 to HKD2,000,000 (equivalent to RMB1,271,251 to RMB1,695,000)	—	—	1	—	—
HKD3,500,001 to HKD4,000,000 (equivalent to RMB2,966,251 to RMB3,390,000)	—	—	—	—	1
HKD4,000,001 to HKD4,500,000 (equivalent to RMB3,390,001 to RMB3,813,750)	—	—	—	—	1

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the Track Record Periods and the six months ended 30 June 2010.

15. DIVIDENDS

No dividend has been paid or declared by the Company for the Track Record Periods.

16. EARNINGS PER SHARE

The calculation of basic earnings per share for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 is based on the profit attributable to equity owners of the Company of approximately RMB7,448,000, RMB31,612,000, RMB53,471,000, RMB9,493,000 and RMB4,117,000 respectively, and the proposed 380,000,000 ordinary shares in issue as at the date of listing of the Company's shares on the Stock Exchange as described in the sub-section headed "Resolutions in writing of all the Shareholders passed on 19 August 2011 and 8 November 2011" under the section headed "Further information about our Company and our subsidiaries" in Appendix V to the Prospectus, as if the shares were outstanding throughout the entire Track Record Periods.

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary share outstanding during the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011.

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST:							
As at 1 January 2008	28,502	411	35,043	1,232	2,696	3,800	71,684
Additions	5,903	917	8,232	702	—	8,609	24,363
Disposals	—	—	(312)	—	—	—	(312)
Transfer from construction in progress	5,832	—	—	—	—	(5,832)	—
Reclassification to investment property	(1,950)	—	—	—	—	—	(1,950)
Exchange adjustments	—	—	—	(21)	(46)	—	(67)
As at 31 December 2008 and 1 January 2009	38,287	1,328	42,963	1,913	2,650	6,577	93,718
Additions	928	524	9,393	395	706	4,721	16,667
Disposals	—	—	(476)	—	—	—	(476)
Transfer from construction in progress	10,069	192	88	—	—	(10,349)	—
Exchange adjustments	—	—	—	(1)	(2)	—	(3)
As at 31 December 2009 and 1 January 2010	49,284	2,044	51,968	2,307	3,354	949	109,906
Additions	—	647	23,107	502	3,344	11,894	39,494
Disposals	(11)	—	(808)	(465)	(17)	—	(1,301)
Transfer from construction in progress	—	—	121	—	—	(121)	—
Exchange adjustments	—	—	—	—	(23)	—	(23)
As at 31 December 2010 and 1 January 2011	49,273	2,691	74,388	2,344	6,658	12,722	148,076
Additions	366	—	5,258	190	261	5,185	11,260
Disposals	—	—	(358)	(12)	(885)	—	(1,255)
Transfer from construction in progress	3,041	—	—	—	—	(3,041)	—
Exchange adjustments	—	—	—	—	(10)	—	(10)
As at 30 June 2011	52,680	2,691	79,288	2,522	6,024	14,866	158,071
ACCUMULATED DEPRECIATION:							
As at 1 January 2008	3,227	46	5,579	612	1,830	—	11,294
Provided for the year	1,674	286	4,138	264	355	—	6,717
Eliminated on disposals	—	—	(103)	—	—	—	(103)
Reclassification to investment property	(312)	—	—	—	—	—	(312)
Exchange adjustments	—	—	—	(21)	(46)	—	(67)
As at 31 December 2008 and 1 January 2009	4,589	332	9,614	855	2,139	—	17,529
Provided for the year	1,963	344	4,758	338	250	—	7,653
Eliminated on disposals	—	—	(152)	—	—	—	(152)
Exchange adjustments	—	—	—	(1)	(2)	—	(3)
As at 31 December 2009 and 1 January 2010	6,552	676	14,220	1,192	2,387	—	25,027
Provided for the year	2,583	515	6,523	385	401	—	10,407
Eliminated on disposals	(5)	—	(620)	(444)	(5)	—	(1,074)
Exchange adjustments	—	—	—	—	(23)	—	(23)
As at 31 December 2010 and 1 January 2011	9,130	1,191	20,123	1,133	2,760	—	34,337
Provided for the period	1,290	267	3,703	240	594	—	6,094
Eliminated on disposals	—	—	(310)	(12)	(885)	—	(1,207)
Exchange adjustments	—	—	—	—	(10)	—	(10)
As at 30 June 2011	10,420	1,458	23,516	1,361	2,459	—	39,214
CARRYING VALUES:							
As at 31 December 2008	33,698	996	33,349	1,058	511	6,577	76,189
As at 31 December 2009	42,732	1,368	37,748	1,115	967	949	84,879
As at 31 December 2010	40,143	1,500	54,265	1,211	3,898	12,722	113,739
As at 30 June 2011	42,260	1,233	55,772	1,161	3,565	14,866	118,857

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

The above property, plant and equipment except for construction in progress are depreciated on a straight-line basis according to the following estimated useful lives and after taking into account their estimated residual values, as follows:

Buildings held for own uses	20 years
Leasehold improvements	5 years
Machinery	3 — 10 years
Office equipment	3 — 5 years
Motor vehicles	3 — 5 years

As at 31 December 2008, 2009 and 2010 and 30 June 2011, certain Group's buildings and machinery with an aggregate carrying amount of approximately RMB39,827,000, RMB37,575,000, RMB52,228,000 and RMB52,110,000, respectively were pledged to secure the bank loans granted to the Group.

18. INVESTMENT PROPERTY

The Group

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At beginning of the year/period	—	1,524	1,519	—
Reclassification from property, plant and equipment	1,638	—	—	—
Exchange adjustments	(114)	(5)	—	—
Disposals	—	—	(1,519)	—
At end of the year/period	1,524	1,519	—	—
ACCUMULATED DEPRECIATION				
At beginning of the year/period	—	36	72	—
Provided for the year/period	37	36	13	—
Exchange adjustments	(1)	—	—	—
Eliminated on disposals	—	—	(85)	—
At end of the year/period	36	72	—	—
CARRYING VALUES				
At end of the year/period	1,488	1,447	—	—

The fair value of the Group's investment property at 31 December 2008 and 2009 were approximately RMB4,075,000 and RMB6,025,000 respectively. The fair value has been arrived at based on a valuation carried out by LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional surveyor not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions.

The above investment property is depreciated over the terms of the respective leases on a straight-line basis. The carrying value of investment property shown above is situated on land in Hong Kong and held under long lease.

19. PREPAID LEASE PAYMENTS

The Group

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At beginning of the year/period	12,246	12,110	12,104	14,864
Additions	—	—	4,568	—
Disposals	—	—	(1,808)	—
Exchange adjustments	(136)	(6)	—	—
At end of the year/period	12,110	12,104	14,864	14,864
ACCUMULATED AMORTISATION				
At beginning of the year/period	883	1,104	1,346	1,251
Provided for the year/period	242	242	280	149
Eliminated on disposals	—	—	(375)	—
Exchange adjustments	(21)	—	—	—
At end of the year/period	1,104	1,346	1,251	1,400
CARRYING VALUES				
At end of the year/period	11,006	10,758	13,613	13,464
Analysed for reporting purposes as:				
Non-current asset	10,764	10,516	13,316	13,167
Current asset	242	242	297	297
	11,006	10,758	13,613	13,464

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group's prepaid lease payments comprise:				
Leasehold land in Hong Kong-long lease	1,488	1,446	—	—
Leasehold land in the PRC-medium-term lease	9,518	9,312	13,613	13,464
	11,006	10,758	13,613	13,464

All the prepaid lease payments were pledged to secure the bank loans granted to the Group situated in the PRC with medium-term lease during the Track Record Periods.

20. DEPOSITS PAID TO ACQUIRE NON-CURRENT ASSETS

The Group

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits paid to acquire:				
Property, plant and equipment	2,609	511	1,399	8,113
Prepaid lease payments	1,863	1,863	—	—
	4,472	2,374	1,399	8,113

21. INVESTMENT IN A SUBSIDIARY

The Company

Grand Concord (BVI) was incorporated in BVI on 8 December 2010 as a wholly-owned subsidiary of the Company. On 9 December 2010, one share of USD1 of Grand Concord (BVI) was allotted and issued to the Company.

On 22 February 2011, the Company allotted and issued an aggregate of 9,999,999 new shares of HKD0.01 each to Global Wisdom Capital Holdings Limited ("Global Wisdom") in exchange for the entire equity interest in Grand Concord (HK). Details are set out in Note 30.

22. DEFERRED TAX ASSETS (LIABILITIES)

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

The Group

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	800	774	1,318	2,091
Deferred tax liabilities	(191)	—	—	—
	609	774	1,318	2,091

The movement in deferred tax assets (liabilities) is as follows:

	Unrealised profit on inventories	Tax losses	Accelerated tax depreciation	Withholding tax on dividends	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	164	443	70	—	677
Credited (charged) to profit or loss for the year	203	(13)	(34)	(191)	(35)
Exchange difference	—	(25)	(8)	—	(33)
At 31 December 2008 and at 1 January 2009	367	405	28	(191)	609
Credited (charged) to profit or loss for the year	13	(38)	—	191	166
Exchange difference	—	(1)	—	—	(1)
At 31 December 2009 and at 1 January 2010	380	366	28	—	774
Credited (charged) to profit or loss for the year	466	124	(28)	—	562
Exchange difference	—	(18)	—	—	(18)
At 31 December 2010 and at 1 January 2011	846	472	—	—	1,318
Credited to profit or loss for the period	781	—	—	—	781
Exchange difference	—	(8)	—	—	(8)
At 30 June 2011	1,627	464	—	—	2,091

At 31 December 2008, 2009 and 2010 and 30 June 2011, the Group has unused PRC and Hong Kong tax losses of approximately RMB4,711,000, RMB7,238,000, RMB18,442,000 and RMB21,602,000 respectively available for offsetting against future profits. A deferred tax asset has been recognised in respect of Hong Kong tax losses approximately RMB2,455,000, RMB2,217,000, RMB2,861,000 and RMB2,812,000 of such

losses at 31 December 2008, 2009 and 2010 and 30 June 2011. No deferred tax asset has been recognised in respect of the remaining PRC tax losses of approximately RMB2,256,000, RMB5,021,000, RMB15,581,000 and RMB18,790,000 at 31 December 2008, 2009 and 2010 and 30 June 2011 due to unpredictability of future profit streams. All the unrecognised PRC tax losses at 31 December 2008, 2009 and 2010 and 30 June 2011 will expire in 2011 to 2016.

23. INVENTORIES

The Group

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	7,019	5,092	14,942	41,157
Work-in-progress	9,903	9,813	31,440	49,244
Finished goods	3,909	9,785	5,018	10,072
	20,831	24,690	51,400	100,473

24. TRADE RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	7,998	13,387	54,893	31,700
Less: Allowance for doubtful debts	(39)	(39)	(39)	(39)
	7,959	13,348	54,854	31,661

The Group generally allows an average credit period of 30 to 60 days to its trade customers. The aging analysis of the Group's trade receivables net of allowance for doubtful debts is presented based on the invoice date at the end of each reporting period and as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 — 30 days	6,160	9,274	38,492	29,618
31 — 60 days	1,163	739	15,725	1,657
61 — 90 days	43	8	190	164
Over 90 days	593	3,327	447	222
	7,959	13,348	54,854	31,661

Included in the Group's trade receivables balances are debtors of approximately RMB636,000, RMB3,335,000, RMB637,000 and RMB386,000 which were past due as at the respective reporting date for which the Group has not provided for allowance for doubtful debts because there has not been a significant change in credit quality and these balances were subsequently recovered as at the date of this report.

As at 30 June 2011, certain Group's trade receivables with an aggregate carrying amount of approximately RMB1,560,000 (2008 and 2009: nil, 2010: RMB6,765,000) were pledged to secure the bank loans granted to the Group. Details are disclosed in Note 35.

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

	Total	Neither past due nor impaired	Past due but not impaired		
			Less than 30 days	31 — 120 days	Over 120 days
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2008	7,959	7,323	43	133	460
31 December 2009	13,348	10,013	8	2,077	1,250
31 December 2010	54,854	54,217	190	447	—
30 June 2011	31,661	31,275	164	201	21

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

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	4,524	4,441	8,268	3,372

The movement in the allowance for doubtful debts are as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning of the year	11	39	39	39
Impairment loss recognised on trade receivables	28	—	—	—
Balance at the end of the year	39	39	39	39

As at 31 December 2008, 2009 and 2010 and 30 June 2011, included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balances of approximately RMB39,000, RMB39,000, RMB39,000 and RMB39,000 respectively which, represented amounts due from debtors who had been in severe financial difficulties. The Group does not hold any collateral over these balances.

25. PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	—	462	3,752	3,483
Advance to suppliers	3,393	4,024	7,694	10,319
Other receivables	2,551	1,850	5,651	8,572
	5,944	6,336	17,097	22,374
Less: Amount shown under non-current portion	—	—	—	(239)
	5,944	6,336	17,097	22,135

The Group has individually assessed all other receivables and no impairment loss was recognised during the Track Record Periods.

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

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
HKD	5	5	57	—

26. RESTRICTED BANK DEPOSITS/CASH AND BANK BALANCES

Restricted bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately RMB10,905,000, RMB25,922,000, RMB9,600,000 and RMB8,210,000 have been pledged to secure the short-term bills payables and short-term bank loans and are therefore classified as current assets as at 31 December 2008, 2009 and 2010 and 30 June 2011. During the Track Record Periods, the balances carried interest at average market rates from 0.4% to 2.85% per annum and will be released upon the completion of bills payable transactions and settlement of bank loans. The carrying amounts of the Group's restricted bank deposits are denominated in RMB.

Bank balances carried interest at average market rates from 0.01% to 0.5% per annum during the Track Record Periods.

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

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	49	44	168	246
HKD	116	266	941	1,106
	165	310	1,109	1,352

27. TRADE AND BILLS PAYABLES

The average credit periods on purchase of raw materials granted by the Group's suppliers range from 30 to 120 days. The Group has financial risk management policy to ensure that all payables are settled within the credit timeframe. The aging analysis of trade payables is presented based on the invoice date at the end of each reporting period and as follows:

The Group

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 — 30 days	13,714	18,821	25,956	36,560
31 — 90 days	11,786	14,374	14,034	11,648
91 — 180 days	8,225	12,566	9,854	2,106
Over 180 days	4,587	5,854	5,194	3,450
	38,312	51,615	55,038	53,764

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

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	940	1,502	2,638	—
JPY	172	217	142	248
Total	1,112	1,719	2,780	248

28. ACCRUALS AND OTHER PAYABLES

The Group

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll and welfare payables	3,859	3,337	8,056	8,770
Other tax payables	817	866	1,958	558
Other payables	1,095	476	698	2,919
	5,771	4,679	10,712	12,247

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

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
HKD	84	97	372	116

29. INTEREST-BEARING BORROWINGS

The Group

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	52,167	50,156	71,813	119,046
Other loans *(Note (i))*	8,000	12,000	14,000	12,000
	60,167	62,156	85,813	131,046
Secured *(Note (ii) and (iv))*	40,167	37,156	71,813	69,046
Guaranteed *(Note (iii))*	12,000	13,000	—	—
Unsecured	8,000	12,000	14,000	62,000
	60,167	62,156	85,813	131,046

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount repayable:				
On demand or within one year	52,900	58,156	63,045	108,131
More than one year, but not exceeding two years	2,000	2,000	12,000	12,000
More than two years but not more than five years	4,000	2,000	6,000	6,000
	58,900	62,156	81,045	126,131
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities under HK Int 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause)	1,267	—	4,768	4,915
	60,167	62,156	85,813	131,046
Less: Amounts shown under current liabilities	(54,167)	(58,156)	(67,813)	(113,046)
	6,000	4,000	18,000	18,000

Notes:

(i) The Group's other loans as at 31 December 2008, 2009 and 2010 and 30 June 2011 included borrowing of approximately RMB8,000,000, RMB6,000,000, RMB4,000,000 and RMB2,000,000 respectively from 諸城市國有資產經營總公司 (Zhucheng State-owned Assets Management Company*), which is an independent third party of the Group, bore at interest rate at the People's Bank of China prime rate plus 5% per annum.

The Group's other loans as at 31 December 2009 included borrowing of approximately RMB6,000,000 from 諸城市國有資產經營總公司 (Zhucheng State-owned Assets Management Company*), which is an independent third party of the Group, bore interest at 5.31% per annum.

The Group's other loans as at 31 December 2010 and 30 June 2011 included borrowing of approximately RMB10,000,000 from 諸城市舜邦投資開發有限公司 (Zhucheng Shunbang Investment Development Limited Company*), which is an independent third party of the Group, bore interest at 5.56% per annum.

(ii) As at 31 December 2008, 2009 and 2010 and 30 June 2011, secured bank loans with carrying amount of approximately RMB40,167,000, RMB37,156,000, RMB71,813,000 and RMB69,046,000 respectively were secured by prepaid lease payments, buildings, machinery, restricted bank deposits of the Group. As at 31 December 2010 and 30 June 2011, a secured bank loan with carrying value of approximately RMB8,000,000 was secured by trade receivables of Zhucheng Yumin Knitting. Details are disclosed in Note 35.

(iii) As at 31 December 2008, bank loans of approximately RMB10,000,000 were jointly guaranteed by 諸城市良豐化學有限公司 (Zhucheng Liangfeng Chemical Co., Ltd.*) and 諸城市國有資產經營總公司 (Zhucheng State-owned Assets Management Company*), which are independent third parties of the Group.

As at 31 December 2009, bank loans of approximately RMB8,000,000 were guaranteed by 諸城市國有資產經營總公司 (Zhucheng State-owned Assets Management Company*), which is an independent third party of the Group.

As at 31 December 2008 and 2009, bank loans of approximately RMB2,000,000 and RMB5,000,000 respectively were guaranteed by 諸城市舜邦企業担保有限公司 (Zhucheng Shunbang Enterprise Guarantee Limited Company*), which is an independent third party of the Group.

(iv) In addition, certain bank loans of approximately RMB4,667,000, RMB1,356,000, RMB8,013,000 and RMB9,246,000 as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively were jointly guaranteed by directors of the Company. Details of guarantee are disclosed in Note 37. The guarantee provided by directors will be released before the listing of the Company's shares on the Stock Exchange.

* The English names of the PRC entities are translation from their Chinese names and are for identification purpose only.

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

	31 December 2008		31 December 2009		31 December 2010		30 June 2011	
	Effective interest rate	*RMB'000*	*Effective interest rate*	*RMB'000*	*Effective interest rate*	*RMB'000*	*Effective interest rate*	*RMB'000*
Fixed rate borrowings	5.25%-9.08%	42,167	5.25%-9.08%	56,156	5.1%-6.12%	43,377	5.1%-6.13%	89,300
Variable rate borrowings	5.31%-8.13%	18,000	6.05%	6,000	5.31%-7.84%	42,436	5.56%-8.96%	41,746
		60,167		62,156		85,813		131,046

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

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
HKD	4,667	1,356	77	—

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

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expiring within one year	—	—	—	10,000

30. SHARE CAPITAL

The balances as at 1 January 2008, 31 December 2008 and 2009 represented the aggregate share capital of Grand Concord (HK) attributable to Mr. Wong Kin Ling and Ms. Hung Kin, common beneficial controlling owners of those companies now comprising the Group, and the balances as at 31 December 2010 represented the aggregate share capital of Grand Concord (HK) and the Company.

The Company was incorporated and was initially authorised to issue a maximum of 39,000,000 shares of HKD0.01 each of a single class on 8 December 2010. At the date of incorporation, one ordinary share was allotted and issued to Global Wisdom at a consideration of HKD0.01.

On 22 February 2011, the Company allotted and issued an aggregate of 9,999,999 new shares of HKD0.01 each to Global Wisdom in exchange for the entire equity interest in Grand Concord (HK) from Mr. Wong Kin Ling and Ms. Hung Kin.

Pursuant to a resolution in writing passed on by the board of directors of the Company on 10 March 2011, the Company re-designated all the authorised shares of HKD0.01 each per share into shares with no par value in compliance with the BVI Business Companies Act 2004.

31. RESERVES

(a) *Statutory reserve*

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries. In accordance with the relevant laws and regulations of the PRC and the articles of association of the companies now comprising the Group, they are required to appropriate 10% of its net profits determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of China, after offsetting any prior years' losses, to the statutory surplus reserve. When the balance of such a reserve reached 50% of the respective companies' registered capital, any further appropriation is optional.

(b) *Special reserve*

Special reserve represents the difference between the aggregate amount of issued and fully paid share capital of Grand Concord (HK) and the nominal amount of the shares issued by the Company to Global Wisdom on 22 February 2011 in exchange for the entire equity interest in Grand Concord (HK) as part of the Group Reorganisation.

(c) *Other reserve*

Other reserve represents the difference between the fair value of past services rendered by the two senior executives and the net present values of the consideration payable by the senior executives in respect of the share transferred. The details of transaction are more fully set out in Note 32.

32. SHARE-BASED PAYMENT

During the six months ended 30 June 2011, on 7 March 2011, in recognition of the services of two senior executives of the Group's subsidiaries (whom were appointed as directors of the Company as at 15 August 2011) (the "Executives"), Global Wisdom, being the Company's holding company, transferred a total of 1,300,000 shares of the Company (the "Shares") to the Executives, at an aggregate consideration of approximately RMB30,719,000 (the "Shares Consideration"). The Shares Consideration was determined by reference to a valuation, which performed by an independent valuer, and represented the then fair values of the Shares. The Shares Consideration are payable by the Executives in cash by three installments, with the first installment of RMB8,000,000 already settled by the Executives on 7 March 2011 and the remaining two installments to be settled by them on 7 March 2012 and 7 March 2013, respectively. The net present value of the Shares Consideration to be settled by the Executives was determined to be approximately RMB24,919,000 as at 7 March 2011.

Accordingly, the Group recorded an expense for the share-based payment of RMB5,800,000 in respect of the aforesaid arrangement which accounted for as equity-settled share-based payment transaction in the six months ended 30 June 2011, which represented the difference of the fair value of Shares transferred to the Executives and the net present value of Shares Consideration to be settled by the Executives as at 7 March 2011. Such amount of RMB5,800,000 was recorded as "other reserve" of the Group.

33. OPERATING LEASES ARRANGEMENTS

The Group as leasee

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

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	22	22	406	573
In the second to fifth years, inclusive	—	—	720	845
Over five years	—	—	90	540
	22	22	1,216	1,958

Operating lease payments represent rentals payable by the Group for certain of its office properties and factories. Lease contracts are negotiated and rentals are fixed for an average of three years.

The Group as lessor

Property rental income earned during the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 were approximately RMB106,000, RMB254,000, RMB167,000, RMB126,000 and nil respectively. The Group's investment property held for rental purposes had been disposed together with unexpired lease contract during the year ended 31 December 2010.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	255	141	—	—
In the second to fifth years, inclusive	141	—	—	—
	396	141	—	—

34. CAPITAL COMMITMENTS

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount contracted for but not provided in the financial information in respect of acquisition property, plant and equipment	—	—	9,555	2,600

35. PLEDGED OF ASSETS

Assets with the following carrying amounts have been pledged to secure bills payables (Note 27) to suppliers and bank loans (Note 29) of the Group at the end of the respective reporting dates:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid lease payments	9,518	9,312	13,613	13,464
Buildings	26,434	25,657	37,901	37,508
Machinery	13,393	11,918	14,327	14,602
Restricted bank deposits	10,905	25,922	9,600	8,210
Trade receivables	—	—	6,765	1,560
	60,250	72,809	82,206	75,344

36. RETIREMENT BENEFIT SCHEMES

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

During the Track Record Periods, the Group operated a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme were held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees were each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme was to make the required contributions under the scheme. No forfeited contribution was available to reduce the contribution payable in the future years.

For the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, the total amounts contributed by the Group to retirement benefit scheme and charged to profit or loss were approximately RMB780,000, RMB1,236,000, RMB1,691,000, RMB704,000 and RMB1,310,000 respectively.

37. MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Periods, transactions with the following parties are considered as related party transactions.

Name of party	Relationship
Shanghai Guang Yu Textiles Co. Ltd (上海廣裕紡織品有限公司) ("Guang Yu") *(Note 1 and 2)*	Under significant influence of Mr. Wei Jin Long who is a senior executive of the Group and he is becoming the director of the Company on 15 August 2011
Zhucheng Noble Knitting & Garment Co., Ltd (諸城裕興針織服裝有限公司) ("Zhucheng Noble") *(Note 1 and 3)*	Ultimately controlled by Mr. Wong Kin Ling
Bolden Garment Limited ("Bolden Garment") *(Note 4)*	Ultimately controlled by Mr. Wong Kin Ling and Ms. Hung Kin
Qingdao Ai Rui Bo Garment Co. Ltd. (青島埃瑞柏服飾有限公司) ("Ai Rui Bo") *(Note 1)*	Ultimately controlled by Mr. Wang Jian She who is the brother of Mr. Wong Kin Ling
Sea Union	Ultimately controlled by Ms. Wong Man Kit who is the daughter of Mr. Wong Kin Ling and Ms. Hung Kin
Ms. Hung Kin and Mr. Wong Kin Ling	Controlling shareholders and directors of the Company
Mr. Wong Shao Hua and Mr. Wei Jin Long	Senior executives of the Group and becoming the directors of the Company on 15 August 2011

Notes:

(1) The English translation of the company names are for reference only. The official names of these entities are in Chinese.

(2) Guang Yu was no longer a related party of the Group after change in its shareholder to an independent third party on 4 March 2011.

(3) Zhucheng Noble was no longer a related party of the Group after change in its shareholder to an independent third party on 31 December 2010.

(4) Bolden Garment was registered as a dormant company since 3 January 2011.

(i) Balances:

	As at 31 December			As at 30 June	Maximum amount outstanding during the year/period			
	2008	2009	2010	2011	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(Note a)*								
Guang Yu	—	2,722	—	—				
Zhucheng Noble	—	45	—	—				
Bolden Garment	977	—	2,682	—				
Ai Rui Bo	659	2,027	—	—				
	1,636	4,794	2,682	—				
Amounts due from shareholders *(Note d)*								
Mr. Wong Kin Ling	—	—	—	504	—	—	—	504
Ms. Hung Kin	—	—	—	3,227	—	—	—	3,227
	—	—	—	3,731	—	—	—	3,731
Amount due from a related party *(Note b)*								
Bolden Garment	—	—	957	2,954	—	—	957	2,954
Trade payables *(Note c)*								
Zhucheng Noble	406	284	—	—				
Bolden Garment	—	290	—	—				
	406	574	—	—				
Amount due to a shareholder *(Note d)*								
Ms. Hung Kin	8,015	4,281	1,559	—				
Amounts due to related parties *(Note b)*								
Bolden Garment	178	183	728	753				
Zhucheng Noble	—	1,500	—	—				
	178	1,683	728	753				

Notes:

(a) The Group had concluded sale transactions to related parties during the Track Record Periods. The balances represent the unsettled amount arising from sale transactions.

(b) The amounts arose from (to) temporary fund transfer of non-trade nature. The amount due from (to) related parties was unsecured, non-interest bearing and repayable on demand. The amounts were fully settled before the listing of the Company's shares on the Stock Exchange.

(c) The Group had concluded purchase transactions with related parties during the Track Record Periods. The balances represent the unsettled amounts arising from purchase transactions.

(d) The amounts due from (to) shareholders were unsecured, non-interest bearing and repayable on demand. The balances were fully settled before the listing of the Company's shares on the Stock Exchange.

(ii) Discontinued transactions will not be continued upon the listing of the Company's shares on the Stock Exchange:

Name of party	Nature of transaction	Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
(a) Bolden Garment	Sales of goods by the Group	2,513	3,653	15,256	7,914	—
	Purchase of goods by the Group	—	297	518	—	—
(b) Guang Yu	Sales of goods by the Group	—	3,720	21,452	10,438	277
	Purchase of goods by the Group	—	—	—	—	279

Name of party	Nature of transaction	Year ended 31 December 2008 RMB'000	2009 RMB'000	2010 RMB'000	Six months ended 30 June 2010 RMB'000 (Unaudited)	2011 RMB'000
(c) Zhucheng Noble	Sales of goods by the Group	244	379	90	38	—
	Purchase of goods by the Group	762	530	2,121	5	—
(d) Ai Rui Bo	Sales of goods by the Group	326	1,260	39	—	—
(e) Sea Union	Sale of investment property by the Group (Note A)	—	—	6,160	—	—
(f) Mr. Wong Kin Ling and Ms. Hung Kin	Bank loan guaranteed by directors	4,667	1,356	8,013	8,126	9,246
(g) Mr. Wang Shao Hua and Mr. Wei Jin Long	Share-based payment (Note 32)	—	—	—	—	5,800

The directors of the Company are of the opinion that the transactions (a), (b), (c) and (d) with related parties were conducted on normal commercial terms in the ordinary course of business.

The directors of the Company confirmed the transaction (e) and (g) concluded under mutually agreed terms.

Note A:

On 18 August 2010, a sale and purchase agreement of an investment property owned by the Group was signed between Grand Concord (HK) and Sea Union. The investment property has been sold at a consideration of HKD7,000,000 (equivalent to approximately RMB6,160,000).

(iii) Key management compensation

The remuneration of the directors and other members of key management of the Group is disclosed in Notes 13 and 14 respectively.

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

38. MAJOR NON-CASH TRANSACTION

(i) During the year ended 31 December 2008, a building with carrying amount of approximately RMB1,638,000 was transferred to investment property.

(ii) During the year ended 31 December 2010, an investment property was sold at a consideration of HKD7,000,000 (equivalent to RMB6,160,000) which was settled through the balances with a shareholder under a set off agreement signed between Sea Union and Ms. Hung Kin, the controlling shareholder and director of the Company.

(iii) The consideration for additions to prepaid land leases of approximately RMB4,568,000 during the year ended 31 December 2010 as set out in Note 19 was settled by deposit of approximately RMB1,863,000.

The consideration for additions to property, plant and equipment of approximately RMB24,363,000, RMB16,667,000, RMB39,494,000 and RMB11,260,000 respectively for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 as set out in Note 17 was partially settled by deposit of approximately RMB1,158,000, RMB2,609,000, RMB511,000 and RMB1,399,000 respectively.

C. PARENT AND ULTIMATE HOLDING COMPANY

Prior to the completion of the Reorganisation, the parent and ultimate holding company of the companies comprising the Group was Grand Concord (HK). Global Wisdom became the parent and ultimate holding company of the Group on 22 February 2011. On the same date, the Reorganisation was completed and since then, the Company has became the holding company of the Group.

D. EVENTS AFTER THE REPORTING PERIOD

(i) Pursuant to the resolutions in writing passed by all the shareholders on 15 August 2011, the Company increased its maximum number of authorised shares from 39,000,000 shares to 1,000,000,000 shares.

(ii) On 15 August 2011, the Company allotted and issued an aggregate of 290,000,000 new shares to the then shareholders, as to 252,300,000 shares to Global Wisdom, 14,500,000 shares to Mr. Wang Shao Hua and 23,200,000 shares to Mr. Wei Jin Long, at an issue price of HKD0.0000001 per share and in aggregate for HKD29.

(iii) Pursuant to the written resolutions of the shareholders of the Company passed on 19 August 2011, the Company has conditionally adopted a share option scheme. The principal terms of the share option schemes are set out in section headed "Share Option Scheme" in Appendix V to the Prospectus. Up to the date of this report, no options were granted or outstanding under the share option scheme.

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2011.

Yours faithfully,
SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427
Hong Kong