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GRAND CONCORD INTERNATIONAL HOLDINGS LIMITED
廣豪國際控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 844)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

The board (the “**Board**”) of directors (the “**Directors**”) of Grand Concord International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2012, together with the comparative figures for the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	<i>Notes</i>	Six months ended 30 June	
		2012	2011
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Revenue	3	196,237	140,158
Cost of sales		<u>(145,333)</u>	<u>(93,516)</u>
Gross profit		50,904	46,642
Other income and gains	4	1,034	110
Selling and distribution expenses		(4,291)	(3,973)
Share-based payment		—	(5,800)
Administrative expenses		(23,500)	(23,536)
Finance costs	5	<u>(2,201)</u>	<u>(2,777)</u>
Profit before tax		21,946	10,666
Income tax expense	6	<u>(6,748)</u>	<u>(6,549)</u>
Profit for the period	7	15,198	4,117
Other comprehensive (expense) income for the period:			
Exchange differences arising on translation of foreign operations		<u>(95)</u>	<u>70</u>
Total comprehensive income for the period		<u>15,103</u>	<u>4,187</u>
Earnings per share			
— Basic and diluted (<i>RMB</i>)	9	<u>0.04</u>	<u>0.01</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		As at 30 June 2012 <i>RMB'000</i> (Unaudited)	As at 31 December 2011 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		142,556	128,786
Prepaid lease payments		12,870	13,019
Deposits paid to acquire non-current assets		2,069	2,190
Prepayment		150	150
Deferred tax assets		1,586	1,653
		<u>159,231</u>	<u>145,798</u>
CURRENT ASSETS			
Inventories		90,495	62,385
Trade and bills receivables	10	63,719	35,130
Prepayments and other receivables		24,631	18,149
Prepaid lease payments		297	297
Restricted bank deposits		19,490	8,700
Cash and bank balances		57,697	63,744
		<u>256,329</u>	<u>188,405</u>
CURRENT LIABILITIES			
Trade and bills payables	11	82,576	43,881
Accruals and other payables		13,736	17,098
Advance from customers		4,471	1,673
Interest-bearing borrowings		91,456	62,654
Income tax payable		5,682	6,361
		<u>197,921</u>	<u>131,667</u>
Net current assets		<u>58,408</u>	<u>56,738</u>
Total assets less current liabilities		<u>217,639</u>	<u>202,536</u>
NON-CURRENT LIABILITY			
Interest-bearing borrowings		<u>6,000</u>	<u>6,000</u>
NET ASSETS		<u><u>211,639</u></u>	<u><u>196,536</u></u>
CAPITAL AND RESERVES			
Share capital		46,938	46,938
Reserves		<u>164,701</u>	<u>149,598</u>
TOTAL EQUITY		<u><u>211,639</u></u>	<u><u>196,536</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company, which acts as an investment holding company, was incorporated in the British Virgin Islands (the “**BVI**”) with limited liability under the Business Companies Act of the BVI (2004) on 8 December 2010. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 24 November 2011. The address of the registered office is located at P.O. Box 3340, Road Town, Tortola, BVI and its principal place of business in Hong Kong is located at Units 1108-1109, 11/F, Tower II, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied for the first time, the following amendments to the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has no material effect on the amounts reported in these condensed consolidated interim financial statements and/or disclosures set out in these condensed consolidated interim financial statements.

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

Amendments to HKFRS	Annual Improvement 2009-2011 Cycle ²
Amendments to HKFRS 1	Government Loans ²
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”. The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. Key requirements of HKFRS 9 are described as follows:

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 values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value 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.

The Directors anticipate that the adoption of HKFRS 9 in the future may have 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.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011). Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – *Special Purpose Entities*. 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) the 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.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope. HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 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 may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

3. REVENUE AND SEGMENT INFORMATION

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

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

The following tables present revenue, profit and expenditure information for the Group's reportable segments for the six months ended 30 June 2012 and 2011.

	Six months ended 30 June 2012		
	Innerwear products RMB '000 (Unaudited)	Knitted fabrics RMB '000 (Unaudited)	Total RMB '000 (Unaudited)
Revenue			
External sales	149,764	46,473	196,237
Inter-segment revenue	42,958	54,628	97,586
Elimination	(42,958)	(54,628)	(97,586)
Group's revenue	<u>149,764</u>	<u>46,473</u>	<u>196,237</u>
Segment profit	<u>20,809</u>	<u>7,232</u>	28,041
Other income			187
Finance costs			(2,201)
Unallocated head office and corporate expenses			<u>(4,081)</u>
Profit before tax			<u>21,946</u>

	Six months ended 30 June 2011		
	Innerwear products <i>RMB'000</i> (Audited)	Knitted fabrics <i>RMB'000</i> (Audited)	Total <i>RMB'000</i> (Audited)
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	<u>94,213</u>	<u>45,945</u>	<u>140,158</u>
Segment profit	<u>9,152</u>	<u>9,750</u>	18,902
Other income			73
Finance costs			(2,777)
Unallocated head office and corporate expenses			<u>(5,532)</u>
Profit before tax			<u>10,666</u>

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

	30 June 2012 <i>RMB'000</i> (Unaudited)	31 December 2011 <i>RMB'000</i> (Audited)
Innerwear products	177,371	150,516
Knitted fabrics	158,077	108,502
Unallocated assets	<u>80,112</u>	<u>75,185</u>
Total assets	<u>415,560</u>	<u>334,203</u>

4. OTHER INCOME AND GAINS

	Six months ended 30 June 2012 <i>RMB'000</i> (Unaudited)	2011 <i>RMB'000</i> (Audited)
Interest income	184	73
Sales of scrap material	263	—
Gain on disposal of property, plant and equipment	33	37
Waiver of trade and other payables	400	—
Others	<u>154</u>	<u>—</u>
	<u>1,034</u>	<u>110</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Interest on bank loans wholly repayable within five years	2,616	2,633
Interest on other loans wholly repayable within five years	—	483
	<u>2,616</u>	<u>3,116</u>
Less: amounts capitalised in the cost of qualifying assets	(415)	(339)
	<u>2,201</u>	<u>2,777</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Current tax:		
— PRC Enterprise Income Tax	6,681	7,330
Deferred tax	67	(781)
	<u>6,748</u>	<u>6,549</u>

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Profit for the period has been arrived at after charging (crediting):		
Salaries and other benefits	33,763	24,450
Share-based payment	—	5,800
Contributions to retirement benefit scheme	1,428	1,310
	<u>35,191</u>	<u>31,560</u>
Total staff costs (including directors' emoluments)		
Auditors' remuneration	209	815
Cost of inventories recognised as an expense	145,333	93,516
Amortisation of prepaid lease payments	149	149
Depreciation of property, plant and equipment	7,953	6,094
Exchange difference, net	117	1,017
Waiver of trade and other payables	(400)	—
Gain on disposal of property, plant and equipment	(33)	(37)
Operating lease rentals in respect of rented premises	514	299
	<u>153,633</u>	<u>102,613</u>

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The Directors do not recommend the payment of an interim dividend.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2012 is based on the profit attributable to owners of the Company of approximately RMB15,198,000 (six months ended 30 June 2011: RMB4,117,000) and the weighted average of 380,000,000 ordinary shares in issue during the six months ended 30 June 2012.

The weighted average number of shares in issue during the six months ended 30 June 2011 represented 300,000,000 ordinary shares in issue before the listing of shares of the Company on the Stock Exchange, as if such shares had been outstanding during the entire period of 2011.

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2012 and 2011.

10. TRADE AND BILLS RECEIVABLES

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
0 – 30 days	55,022	23,885
31 – 60 days	5,500	9,467
61 – 90 days	1,616	989
Over 90 days	1,581	789
	63,719	35,130

11. TRADE AND BILLS PAYABLES

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
0 – 30 days	50,547	27,875
31 – 90 days	25,042	8,818
91 – 180 days	4,690	4,601
Over 180 days	2,297	2,587
	82,576	43,881

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2012, the European debt crisis continued to haunt the global economy. As the PRC central government gave top priority to maintaining steady growth and intensified pre-emptive and subtle policy adjustments, the overall national economy of the PRC remained largely stable. The textile industry recorded growth in export during the period under review, albeit at a declining growth rate as compared to the same period in 2011. Coupled with increasing labour costs and intensifying competition, enterprises face pressure in their operations. Despite the competition from other countries with lower labour costs, the PRC still enjoys competitive advantages through continuous innovation, excellent management and advanced supporting facilities.

In view of the challenges posed by the macro-environment, the Group provided fast, effective and flexible textile products supply chain solutions to its domestic and overseas customers by leveraging on its vertically integrated business model involving fabric weaving and knitting to innerwear cutting and sewing. Meanwhile, a relatively stable raw materials prices in the first half of 2012 helped the Group to stabilise its cash flow, enabled the Group to increase development efforts, optimise its production process and enhance its production capacity and efficiency.

During the period under review, the Group recorded an increase in both sales orders and sales volume. In particular, the Group implemented a change in product mix, which resulted in a rapid increase in the sales of spring and summer products, mainly compose of the Group's innerwear products.

In anticipation of a growing demand for the Group's products, the Group upgraded its production facilities in the first half of 2012 through investments in environmental-friendly and technically advanced machineries. As a result, it produced economies of scale for the Group's operations and enabled the Group to achieve a higher level of production efficiency and competitiveness in order to rise to the challenges posed by the global economy and the rising costs in raw materials. Under the enlarged scale of the production facilities, the Group can meet the needs of its existing customers and process orders from new customers at the same time, which illustrates the continuous development of the Group.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by knitted fabrics and innerwear products and as a percentage of the Group's total revenue for the six months ended 30 June 2012, with corresponding comparative figures for 2011:

	Six months ended 30 June			
	2012		2011	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Knitted fabrics				
General fabrics	5,934	3.0	13,141	9.4
Functional fabrics	40,539	20.7	32,804	23.4
Sub-total	46,473	23.7	45,945	32.8
Innerwear products				
General innerwear	57,121	29.1	38,181	27.2
Functional innerwear	92,643	47.2	56,032	40.0
Sub-total	149,764	76.3	94,213	67.2
Total	196,237	100.0	140,158	100.0

For the six months ended 30 June 2012, the Group recorded a revenue of approximately RMB196.2 million (2011: RMB140.2 million), representing an increase of approximately RMB56.0 million, or approximately 40.0%. The sales volume of general fabrics, functional fabrics, general innerwear and functional innerwear for the six months ended 30 June 2012 were approximately 121 tons, 526 tons, 4.2 million pieces and 5.8 million pieces respectively (2011: 195 tons, 399 tons, 3.4 million pieces and 3.4 million pieces respectively). The growth in revenue was mainly due to the change of the Group's product mix with a rapid increase in the sales of spring and summer products which mainly include the Group's innerwear products.

Sales of knitted fabrics amounted to approximately RMB46.5 million (2011: RMB45.9 million) representing approximately 23.7% (2011: 32.8%) of the total revenue for the six months ended 30 June 2012. The sales amount was similar to that over the same period in the prior year.

Sales of innerwear products amounted to approximately RMB149.8 million (2011: RMB94.2 million) representing approximately 76.3% (2011: 67.2%) of the total revenue for the six months ended 30 June 2012. The increase in the sales of innerwear products of approximately RMB55.6 million or approximately 59.0% for the six months ended 30 June 2012 was mainly due to the Group's further expansion into the market of spring and summer innerwear products of which the Group had put less focus on in the prior years. The sales volume of the innerwear products increased from 6.8 million pieces for the six months ended 30 June 2011 to 10.0 million for the six months ended 30 June 2012.

Cost of sales

Cost of sales increased by approximately 55.4% from approximately RMB93.5 million for the six months ended 30 June 2011 to approximately RMB145.3 million for the corresponding period in 2012. The increase in the cost of sales primarily reflects the increase in the cost of raw materials, direct labour costs and subcontracting charges incurred by the Group during the six months ended 30 June 2012 as a result of the increase in sales. The unit production cost of the Group in the first six months of 2012 was higher than that over the same period in 2011, which was mainly due to the increase in production and sales of functional products with relatively higher unit cost over the general products, and the increase in subcontracting expenses due to the sharp increase in production and sales volume.

Gross profit and gross profit margin

Gross profit increased by approximately RMB4.3 million, or 9.1%, from approximately RMB46.6 million for the six months ended 30 June 2011 to approximately RMB50.9 million for the six months ended 30 June 2012 as a result of the increase in sales volume in the first six months of 2012. The Group's gross profit margin decreased from 33.3% for the six months ended 30 June 2011 to 25.9% for the corresponding period in 2012, mainly due to the increase in unit production cost of the Group's products as described above.

The following table sets forth the Group's gross profit and gross profit margins by products for the six months ended 30 June 2012, with corresponding comparative figures in the same period of 2011:

	Six months ended 30 June			
	2012		2011	
	Gross profit	Gross profit	Gross profit	Gross profit
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Knitted fabrics				
General fabrics	832	14.0	2,155	16.4
Functional fabrics	11,277	27.8	10,755	32.8
Sub-total	12,109		12,910	
Innerwear products				
General innerwear	9,430	16.5	7,787	20.4
Functional innerwear	29,365	31.7	25,945	46.3
Sub-total	38,795		33,732	
Total	50,904	25.9	46,642	33.3
Other income and gains				

Other income and gains amounted to approximately RMB1.0 million (2011: RMB0.1 million) for the six months ended 30 June 2012, which were mainly interest income from bank deposits, waiver of certain trade and other payables and sales of scrap materials.

Selling and distribution expenses

Selling and distribution expenses increased by 8.0% to approximately RMB4.3 million (2011: RMB4.0 million) for the six months ended 30 June 2012, primarily due to the increase in sales for the period. As the sales volume of fabrics and innerwear products increased by 8.9% and 47.1%, respectively, the relevant transportation costs incurred for local and overseas delivery to customers increased. Through the efforts in negotiating with its customers, the Group has been able to shift part of the increase in transportation costs to some customers.

Share-based payment

Share-based payment represented the expenses recognised in relation to the pre-listing share compensation to the management. There was no share-based payment recognised during the six months ended 30 June 2012 (2011: RMB5.8 million).

Administrative expenses

Administrative expenses remained stable at approximately RMB23.5 million (2011: RMB23.5 million) for the six months ended 30 June 2012 primarily reflecting increases in total staff benefits (including salaries, social welfare and other staff costs) paid to the Directors and administrative staff due to business expansion, netting off with the one-off legal and professional expense paid to professional parties in relation to the listing of the Company (the “**Listing**”) during the six months ended 30 June 2011.

Finance costs

Finance costs decreased to approximately RMB2.2 million (2011: RMB2.8 million) for the six months ended 30 June 2012 primarily due to a lower average bank borrowings when compared to that for the same period in 2011, outweighed the effect of a slight increase in effective interest rate with a range of 5.85% to 9.31% for 2012 (2011: 5.10% to 8.96%) which was charged on the bank borrowings.

Profit before tax

The Group’s profit before tax increased to approximately RMB21.9 million (2011: RMB10.7 million) for the six months ended 30 June 2012 due to the increase in sales of the Group and the absence of share-based payment.

Income tax expense

Income tax expense slightly increased to approximately RMB6.7 million (2011: RMB6.5 million). The Group’s effective tax rate for the six months ended 30 June 2012 was 30.7% as compared to 61.4% for the corresponding period in 2011. The effective tax rate was relatively higher in six months ended 30 June 2011 as there were non-deductible expenses such as the share-based payment and certain one-off legal and professional expenses paid to professional parties in relation to the Listing incurred in that period.

Profit for the period and profit margin

The Group’s profit increased by approximately RMB11.1 million, or 269.2%, from approximately RMB4.1 million for the six months ended 30 June 2011 to approximately RMB15.2 million for the corresponding period in 2012. Profit margin was approximately 7.7% for the six months ended 30 June 2012 (2011: 2.9%). The increases in profit and profit margin were mainly due to increase in sales volume as well as the revenue, and the absence of certain one-off administrative expenses in relation to the Listing and share-based payment, which were both incurred in the six months ended 30 June 2011 as mentioned above.

Inventories

The inventory balances increased to approximately RMB90.5 million as at 30 June 2012 (as at 31 December 2011: RMB62.4 million) reflecting an increase in raw materials and finished goods in anticipation of increased sales orders and delivery in the second half of 2012.

Trade and bills receivables

Trade and bills receivables increased to approximately RMB63.7 million (as at 31 December 2011: RMB35.1 million) as at 30 June 2012. The trade and bills receivables as at 30 June 2012 were relatively higher as the Group had a mass delivery to customers in April and May 2012.

Trade and bills payables

Trade and bills payables increased to approximately RMB82.6 million (as at 31 December 2011: RMB43.9 million) as at 30 June 2012. The Group made more purchases of raw materials in response to the increase in production volume during the six months ended 30 June 2012, which led to the increase in the trade and bills payables accordingly.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sales of its products and bank borrowings. As at 30 June 2012, the Group's current ratio (calculated as current assets divided by current liabilities) was 1.30 (as at 31 December 2011: 1.43). As at 30 June 2012, the Group had cash and cash equivalents of approximately RMB57.7 million (as at 31 December 2011: RMB63.7 million), which were mainly generated from or utilised in daily operations, including sales of products, purchase of materials and obtaining of the short-term bank loans of approximately RMB91.5 million (as at 31 December 2011: RMB62.7 million). As at 30 June 2012, the Group's gearing ratio (calculated as the total debt as at period-end divided by total assets as at period-end x 100%, where total debts are defined to include current and non-current interest-bearing borrowings) was 23.5%, as compared to 20.5% as at 31 December 2011.

As at 30 June 2012, the Group had no fixed rate bank loans (as at 31 December 2011: nil) but had variable rate bank loans of approximately RMB97.5 million (as at 31 December 2011: RMB68.7 million). The effective interest rates on the Group's variable-rate bank borrowings ranged from 5.85% to 9.31% per annum as at 30 June 2012 (as at 31 December 2011: variable-rate bank borrowings ranged from 6.56% to 9.31% per annum). During the period under review, there was no material change to the Group's funding and treasury policy.

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

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

Interest rate and foreign currency exposure

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

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

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

Contingent liabilities

As at 30 June 2012, the Group had no material contingent liabilities.

Charges on Group assets

As at 30 June 2012, the Group's bills payables and bank loans were secured by the Group's machinery, buildings and prepaid lease payments of carrying amounts of approximately RMB11.6 million, RMB31.2 million and RMB11.6 million, respectively (as at 31 December 2011: RMB12.4 million, RMB35.7 million and RMB13.3 million, respectively). None of the trade receivables of the Group as at 30 June 2012 (as at 31 December 2011: RMB21.5 million) were pledged against short-term bank loans of the Group. As at 30 June 2012, the Group also pledged its bank deposits of approximately RMB19.5 million (as at 31 December 2011: RMB8.7 million) to secure short-term bills payables.

USE OF PROCEEDS FROM LISTING

The Company's shares have been listed on the Stock Exchange since 24 November 2011. The net proceeds from the Listing after deducting the relevant expenses were amounted to approximately HK\$38.4 million. The Company currently does not have any intention to change its plan for use of proceeds as stated in the prospectus of the Company dated 14 November 2011. From the date of the Listing up to the date of this announcement, out of the total net proceeds from the Listing, approximately HK\$12.1 million was utilised for upgrading and expanding the Group's manufacturing equipment and production plants to enhance its production efficiency and approximately HK\$2.4 million was utilised for developing high-margin and innovative products. The remaining proceeds of approximately HK\$23.9 million was deposited in interest-bearing accounts of financial institutions in the PRC and Hong Kong.

HUMAN RESOURCES

As at 30 June 2012, the Group employed approximately 1,800 employees. Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group conducts periodic reviews of the performance of its employees and their salaries and bonuses are performance-based. During the period under review, the Group has neither experienced any significant problems with its employees or disruptions to its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced employees. The Group maintains good relationships with its employees.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2012 (2011: Nil).

PROSPECTS

The global economy shall remain challenging, but it is expected that government policies will help to stabilise the economy in the second half of 2012. The PRC government has correspondingly implemented some specific fiscal and broader monetary initiatives such as cutting interest rates and easing credit restrictions to the property and government sectors. The Group shall adopt cautious strategies to achieve a sustainable growth, aiming at increasing its sales volume and generating a higher profit.

The Group shall continue to strive to enlarge its market share through diversification of its products, forging strategic alliances with major leading apparel brands and strengthening its research and development capability with respect to operations, raw materials and new product development.

Capital expenditure is estimated to be approximately RMB37 million for the year ended 31 December 2012, of which RMB21.8 million has been spent as planned. It will mainly be applied in the expansion of production capacities and upgrading of the production facilities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2012, the Group did not engage in any material acquisitions or disposals.

EVENT AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2012 which would materially affect the Group's operating and financial performance as at the date of the unaudited condensed consolidated interim results.

CORPORATE GOVERNANCE

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of its shareholders. On 1 April 2012, the Code on Corporate Governance Practices ("**Former CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") was amended and renamed as Corporate Governance Code and Corporate Governance Report ("**New CG Code**"). The Company has adopted the code provisions and certain recommended best practices as set out in the New CG Code as the code of the Company in substitution for and to the exclusion of the Former CG Code with effect from 27 March 2012. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintain and improve high standards of corporate governance practices. During the six months ended 30 June 2012, the Company has complied with the code provisions (the "**Code Provisions**") set out in both Former CG Code and New CG Code, except for the deviation set out as below:

Code Provision A2.1

The Code Provision A2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

At present, the Company does not have any officer with the title of chief executive. The duties of a chief executive are undertaken by Mr. Wong Kin Ling, chairman of the Board. Although this deviates from the requirement under Code Provision A2.1, where the two positions should be held by two different individuals, as Mr. Wong Kin Ling has considerable and extensive knowledge and experience in the industry and in enterprise operation and management in general, the Board believes that it is in the best interest of the Company and its shareholders as a whole to continue to have Mr. Wong Kin Ling as the chairman so the Board can benefit from its knowledge of the business and

his capability in leading the Board in the long term development of the Group. From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the chairman should not be able to monopolise the voting result. The Board considers that the balance of power between the Board and the senior management can still be maintained under the current structure. The Board shall review the structure from time to time to ensure appropriate action is taken should the need arise.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company confirms that, having made specific enquiry of all the Directors, the Directors have complied with the required standards as set out in the Model Code during the six months ended 30 June 2012.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee (“**Audit Committee**”) was established on 19 August 2011 with written terms of reference in compliance with the Listing Rules. The Audit Committee is responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditor; monitoring the integrity of the financial statements, the annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and reviewing the financial controls, internal control and risk management systems.

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

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2012.

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the website of the Company at www.grandconcord.com. The Company's interim report for the six months ended 30 June 2012 will be published at the same websites and will be despatched to the Company's shareholders in due course.

By order of the Board
Grand Concord International Holdings Limited
廣豪國際控股有限公司
Wong Kin Ling
Chairman

Hong Kong, 23 August 2012

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Wong Kin Ling, Madam Hung Kin, Mr. Wang Shao Hua and Mr. Wei Jin Long; and three independent non-executive Directors, namely Mr. Wang Jin Tang, Ms. Tay Sheve Li and Dr. Chan Ah Pun.