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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 2013

The board (the “**Board**”) of directors (the “**Directors**”) of Grand Concord International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2013, with the comparative figures for the corresponding period in 2012, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2013	2012
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue		209,049	196,237
Cost of sales		<u>(161,171)</u>	<u>(145,333)</u>
Gross profit		47,878	50,904
Other income and gains	4	1,041	1,034
Selling and distribution expenses		(6,164)	(4,291)
Administrative expenses		(26,284)	(23,500)
Finance costs	5	<u>(1,945)</u>	<u>(2,201)</u>
Profit before tax		14,526	21,946
Income tax expense	6	<u>(5,166)</u>	<u>(6,748)</u>
Profit for the period	7	<u>9,360</u>	<u>15,198</u>
Other comprehensive income for the period:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		<u>(308)</u>	<u>(95)</u>
Total comprehensive income for the period		<u>9,052</u>	<u>15,103</u>
		RMB cents	RMB cents
Earnings per share			
– Basic and diluted	9	<u>2.0</u>	<u>4.0</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	10	180,456	163,219
Prepaid lease payments		12,564	12,722
Deposits paid to acquire non-current assets	11	9,490	860
Prepayment		153	191
Deferred tax assets		563	570
		<u>203,226</u>	<u>177,562</u>
CURRENT ASSETS			
Inventories		104,720	47,460
Trade and bills receivables	12	86,480	64,939
Prepayments and other receivables		27,316	14,789
Prepaid lease payments		297	297
Restricted bank deposits		12,537	3,750
Cash and bank balances		36,944	24,134
		<u>268,294</u>	<u>155,369</u>
CURRENT LIABILITIES			
Trade and bills payables	13	110,923	42,649
Accruals and other payables		18,280	21,487
Advance from customers		3,292	631
Interest-bearing borrowings	14	105,033	31,645
Income tax payable		3,830	4,636
		<u>241,358</u>	<u>101,048</u>
Net current assets		<u>26,936</u>	<u>54,321</u>
NET ASSETS		<u><u>230,162</u></u>	<u><u>231,883</u></u>
CAPITAL AND RESERVES			
Share capital		46,938	46,938
Reserves		183,224	184,945
TOTAL EQUITY		<u><u>230,162</u></u>	<u><u>231,883</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Grand Concord International Holdings Limited (the “**Company**”), which acts as an investment holding company, was incorporated in the British Virgin Islands (the “**BVI**”) with limited liability under the Business Companies Act of the BVI (2004) on 8 December 2010. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 24 November 2011. The address of the registered office is located at P.O. Box 3340, Road Town, Tortola, BVI and its principal place of business in Hong Kong is located at Unit B, 15/F., 78 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (the “**Group**”) are 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 financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standard (“**HKFRS**”) issued by the HKICPA.

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income;
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle;
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities;
Amendments to HKFRS 10,	Consolidated Financial Statements, Joint Arrangements and
HKFRS 11 and HKFRS 12	Disclosure of Interest in Other Entities: Transition Guidance;
HKFRS 10	Consolidated Financial Statements;
HKFRS 11	Joint Arrangements;
HKFRS 12	Disclosure of Interests in Other Entities;
HKFRS 13	Fair Value Measurement;
HKAS 19 (as revised in 2011)	Employee Benefits;
HKAS 27 (as revised in 2011)	Separate Financial Statements;
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures; and
HK(International Financial	Stripping Costs in the Production Phase of a Surface Mine
Reporting Interpretations	
Committee) – Int 20	

Except as described below, the application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. 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 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 do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

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

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 amendments to HKFRS 7 are effective 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.

The amendments have been applied prospectively by the Group.

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

3. SEGMENT INFORMATION

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

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

The following tables present revenue, profit and expenditure information for the Group's reportable segments for the six months ended 30 June 2013 and 2012.

Six months ended 30 June 2013			
	Innerwear products <i>RMB'000</i> (Unaudited)	Knitted fabrics <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenue			
External sales	133,323	75,726	209,049
Inter-segment revenue	37,217	39,797	77,014
Elimination	(37,217)	(39,797)	(77,014)
Group's revenue	<u>133,323</u>	<u>75,726</u>	<u>209,049</u>
Segment profit	<u>6,239</u>	<u>12,624</u>	18,863
Other income			149
Finance costs			(1,945)
Unallocated head office and corporate expenses			(2,541)
Profit before tax			<u>14,526</u>

Six months ended 30 June 2012			
	Innerwear products <i>RMB'000</i> (Unaudited)	Knitted fabrics <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (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			(4,081)
Profit before tax			<u>21,946</u>

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Innerwear products	208,557	166,641
Knitted fabrics	209,773	136,555
Unallocated assets	53,190	29,735
Total assets	471,520	332,931

4. OTHER INCOME AND GAINS

	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Interest income	149	184
Sales of scrap material	339	263
Gain on disposal of property, plant and equipment	–	33
Waiver of trade and other payables	–	400
Government subsidies	422	–
Others	131	154
	1,041	1,034

5. FINANCE COSTS

	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Interest on bank loans wholly repayable within five years	2,019	2,616
Less: amounts capitalised in the cost of qualifying assets	(74)	(415)
	1,945	2,201

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– PRC Enterprise Income Tax	5,166	6,681
Deferred tax	–	67
	<u>5,166</u>	<u>6,748</u>

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Salaries and other benefits	33,112	33,763
Contributions to retirement benefit scheme	2,898	1,428
Total staff costs (including directors' emoluments)	<u>36,010</u>	<u>35,191</u>
Auditors' remuneration	235	209
Cost of inventories recognised as an expense	161,171	145,333
Amortisation of prepaid lease payments	158	149
Allowance for inventories (included in cost of sales)	146	–
Depreciation of property, plant and equipment	9,846	7,953
Exchange difference, net	1,237	117
Waiver of trade and other payables	–	(400)
Reversals of allowance for inventories (included in cost of sales)	(326)	–
Loss (gain) on disposal of property, plant and equipment	16	(33)
Operating lease rentals in respect of rented premises	<u>388</u>	<u>514</u>

8. DIVIDENDS

During the current interim period, a final dividend of HK3.5 cents per share in respect of the year ended 31 December 2012 was declared and paid to the shareholders of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK\$13,300,000 (equivalent to RMB10,773,000).

The directors of the Company have determined that no dividend will be paid in respect of the interim period.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the profit attributable to owners of the Company of approximately RMB9,360,000 (six months ended 30 June 2012: RMB15,198,000) and 380,000,000 ordinary shares in issue during the six months ended 30 June 2013.

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary share outstanding during the six months ended 30 June 2013 and 2012.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group disposed of certain plant and equipment with an aggregate carrying amount of approximately RMB37,000 (six months ended 30 June 2012: approximately RMB46,000), resulting in a net loss on disposal of approximately RMB16,000 (six months ended 30 June 2012: net gain on disposal of approximately RMB33,000).

During the six months ended 30 June 2013, the Group acquired approximately RMB27,139,000 (six months ended 30 June 2012: approximately RMB21,769,000) of property, plant and equipment.

11. DEPOSITS PAID TO ACQUIRE NON-CURRENT ASSETS

As at 30 June 2013, the Group has deposits RMB9,490,000 paid to acquire property, plant and equipment for expanding production capacity and upgrading plants and production equipments.

12. 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 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
0 – 30 days	69,043	43,041
31 – 60 days	9,300	12,066
61 – 90 days	887	8,567
Over 90 days	7,250	1,265
	86,480	64,939

13. TRADE AND BILLS PAYABLES

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
0 – 30 days	91,811	33,128
31 – 90 days	17,183	7,039
91 – 180 days	760	1,731
Over 180 days	1,169	751
	110,923	42,649

14. INTEREST-BEARING BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to approximately RMB100,789,000 (six months ended 30 June 2012: approximately RMB50,000,000) and repaid the bank borrowings amounting to approximately RMB27,401,000 (six months ended 30 June 2012: approximately RMB21,198,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2013, the growth in the global economy remained sluggish. The retail markets of the European Union and Japan continued to shrink and the textile industry continued to show slow recovery, all of which weakened the economic recovery and suppressed the demand for China's textile products. At the same time, the labour costs in China continued to increase. Exporters from Southeast Asia and other emerging exporting countries posted great challenges to China's manufacturers. Low labour costs in countries such as Vietnam, Cambodia, Bangladesh and Indonesia and the appreciation of RMB significantly weakened the competitiveness of China's textile industry. Meanwhile, the competitiveness of Chinese textile enterprises in the global market was further weakened by the widening cotton price spread between domestic and overseas markets during the year.

Despite the unfavourable operating environment, the textile industry saw stable development during the first half of the year as it benefited from the structural adjustment as well as the transformation upgrade in the industry. According to China's General Administration of Customs, as of 30 June 2013, China's textile and apparel exports reached US\$127.21 billion in total, a year-on-year increase of 12.1%. During the period under review, the Group endeavoured to seize every market opportunity and leverage our excellent products and stable customer base to weather market challenges, which as a result bringing growth to both the sales and quantity of products sold as compared to the same period of last year.

To maintain its competitiveness in the industry, the Group continued to optimise its production process and invest in various production equipment. The Directors believe the Group's investment during the period will pay off in the long run. During the reporting period, however, the Group recorded a fall in gross profit margin as a result of the distressed unit selling prices and the increased costs. As most of our revenue was denominated in US dollars while most of the operating cost was denominated in RMB, which was the functional currency of the Group, the depreciation of US dollars against RMB reduced the Group's profit from exports. The appreciation of RMB also weakened the Group's price competitiveness in major export markets, including Japan and the United States. In consideration of various challenges arising in market, the Group has lowered the unit selling prices of some export merchandise to retain valuable customers.

The Group is primarily engaged in the production and sales of functional fabrics and innerwear. The market demand for functional fabrics has been increasing steadily. Under the sluggish economy and the growing awareness in environmental protection, there is an increasing demand for "Home ECO" (Home Environmental Conservation) merchandise in Japan. As consumers go out less and stay at home longer, functional textile products, which are energy-saving and environmental-friendly, start to gain favour. Various types of innerwear focusing on comfortableness functions begin to be valued in market. People pay more attention to the capability to keep warm and be light in winter as well as cool sense and capability of moisture-absorbing and perspiration-wicking in summer. Therefore, we believe the demands in the Group's targeted markets are still able to enjoy stable growth in the overall textile and apparel industry and provide the Group with development opportunities and a platform for further expansion in the future.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by knitted fabrics and innerwear products and as a percentage of the Group's total revenue for the six months ended 30 June 2013, with corresponding comparative figures for 2012:

	Six months ended 30 June			
	2013		2012	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Knitted fabrics				
General fabrics	7,500	3.6	5,934	3.0
Functional fabrics	68,226	32.6	40,539	20.7
Sub-total	75,726	36.2	46,473	23.7
Innerwear products				
General innerwear	62,558	29.9	57,121	29.1
Functional innerwear	70,765	33.9	92,643	47.2
Sub-total	133,323	63.8	149,764	76.3
Total	209,049	100.0	196,237	100.0

For the six months ended 30 June 2013, the Group recorded a revenue of approximately RMB209.0 million (2012: RMB196.2 million), representing an increase of approximately RMB12.8 million, or approximately 6.5%, as compared with that for the corresponding period in 2012. The sales volume of general fabrics, functional fabrics, general innerwear and functional innerwear for the six months ended 30 June 2013 were approximately 159 tons, 887 tons, 5.1 million pieces and 5.0 million pieces respectively (2012: 121 tons, 526 tons, 3.4 million pieces and 5.8 million pieces respectively). The growth in revenue was mainly due to the increase in the sales of the Group's spring and summer knitted functional fabric products.

Sales of knitted fabrics amounted to approximately RMB75.7 million (2012: RMB46.5 million) representing approximately 36.2% (2012: 23.7%) of the total revenue for the six months ended 30 June 2013. The increase in the sales of knitted fabrics was mainly due to the Group's effort to promote the spring and summer knitted fabrics products in the period concerned. The sales volume of knitted fabrics increased by approximately 61.9% from 646 tons in the six months ended 30 June 2012 to 1,046 tons in the same period of 2013.

Sales of innerwear products amounted to approximately RMB133.3 million (2012: RMB149.8 million), representing approximately 63.8% (2012: 76.3%) of the total revenue for the six months ended 30 June 2013. The decrease in the sales of innerwear products in the amount of approximately RMB16.4 million, or approximately 11.0%, in the six months ended 30 June 2013 as compared with that in the corresponding period in 2012 was mainly due to the decrease in

unit selling prices and change in customer mix for the six months ended 30 June 2013. The sales volume of innerwear products has remained steady at 10.1 million pieces in the period (2012: 10.0 million pieces). The increase in sales orders of general innerwear led to an increase in the sales volume of general innerwear by 23.6% to 5.1 million pieces (2012: 4.1 million pieces). Under the limited production capacity, sales volume of functional innerwear decreased by 14% to 5.0 million pieces in the six months ended 30 June 2013 (2012: 5.8 million pieces). The unit selling prices of exported functional innerwear to Japanese customers were also influenced by the depreciation of Japanese yen against US dollars since Japanese customers were more inclined to bargain on price in the period concerned.

Cost of sales

Cost of sales increased by approximately 10.9% from approximately RMB145.3 million for the six months ended 30 June 2012 to approximately RMB161.2 million for the corresponding period in 2013. The increase in the cost of sales primarily reflected 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 2013 as a result of the increase in sales of functional fabrics products. The average unit production cost of knitted fabrics of the Group in the first six months of 2013 was higher than that over the same period in 2012, which was mainly due to the increase in the production and sales of the functional fabrics with relatively higher unit costs over that of the general fabrics.

Gross profit and gross profit margin

Gross profit decreased by approximately RMB3.0 million, or approximately 5.9%, from approximately RMB50.9 million for the six months ended 30 June 2012 to approximately RMB47.9 million for the six months ended 30 June 2013 as a result of decrease in unit selling prices in 2013. The Group's gross profit margin decreased from approximately 25.9% for the six months ended 30 June 2012 to approximately 22.9% for the corresponding period in 2013, mainly due to the reduction in unit selling prices of both functional and general knitted fabrics and innerwear to retain valuable customers.

The following table sets forth the Group's gross profits and gross profit margins by products for the six months ended 30 June 2013, with corresponding comparative figures in 2012:

	Six months ended 30 June			
	2013		2012	
	RMB'000	%	RMB'000	%
Knitted fabrics				
General fabrics	1,030	13.7	832	14.0
Functional fabrics	17,496	25.6	11,277	27.8
Sub-total	18,526		12,109	
Innerwear products				
General innerwear	7,721	12.3	9,430	16.5
Functional innerwear	21,631	30.6	29,365	31.7
Sub-total	29,352		38,795	
Total	47,878	22.9%	50,904	25.9

Other income and gains

Other income and gains amounted to approximately RMB1.0 million (2012: RMB1.0 million) for the six months ended 30 June 2013 which were mainly interest income from bank deposits and gains from sales of scrap materials.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB1.9 million to approximately RMB6.2 million (2012: RMB4.3 million) for the six months ended 30 June 2013, primarily reflecting an increase in the sales volume of fabrics products for the period. As the sales volume of fabrics products increased by approximately 61.9%, the relevant transportation costs incurred for local delivery to customers increased. The Group has also incurred approximately RMB0.7 million in the six months ended 30 June 2013 (2012: RMB0.1 million) as marketing and promotion expenses.

Administrative expenses

Administrative expenses increased by approximately 11.8% to approximately RMB26.3 million (2012: RMB23.5 million) for the six months ended 30 June 2013, primarily reflecting the increases in staff benefits, depreciation expenses and exchange losses.

Total staff benefits (including salaries, social welfare and other staff costs) increased by approximately 5% from RMB11 million in six months ended 30 June 2012 to RMB11.6 million in the corresponding period in 2013 paid to the administrative staff.

The depreciation expenses increased by approximately 25.7% to approximately RMB3.5 million for the six months ended 30 June 2013 (2012: RMB2.8 million) due to the reconstruction and expansion of the administrative office of the Group.

Resulting from the depreciation of US dollars against RMB, the Group's overseas trade receivables recorded an exchange loss amounting to approximately RMB1.2 million for the six months ended 30 June 2013 (2012: RMB0.1 million).

Finance costs

Finance costs decreased to approximately RMB1.9 million (2012: RMB2.2 million) for the six months ended 30 June 2013 primarily due to a lower average bank borrowings when compared to that for the same period in 2012. The effective interest rates charged on bank borrowings for the six months 30 June 2013 ranged from 5.6% to 9.0%, which were slightly lower than to that of the same period in 2012 (2012: 5.9% to 9.3%).

Profit before tax

The Group's profit before tax decreased to approximately RMB14.5 million (2012: RMB21.9 million) for the six months ended 30 June 2013 mainly due to the decrease in gross profit as a result of lower unit selling prices and the increase in selling expenses and administrative expenses as mentioned above.

Income tax expense

Income tax expense slightly decreased to approximately RMB5.2 million (2012: RMB6.7 million). The Group's effective tax rate for the six months ended 30 June 2013 was 35.6% as compared to 30.7% for the corresponding period in 2012. The increase in effective tax rate was due to tax loss not recognised in our subsidiaries for the six months ended 30 June 2013.

Profit for the period and profit margin

The Group's profit decreased by approximately RMB5.8 million, or approximately 38.4%, from approximately RMB15.2 million for the six months ended 30 June 2012 to approximately RMB9.4 million for the corresponding period in 2013. Profit margin was approximately 4.5% for the six months ended 30 June 2013 (2012: 7.7%) and the decrease was mainly due to the decrease in unit selling prices as well as the gross margin and the increase in selling expenses and administrative expenses.

Inventories

The inventory balances increased to approximately RMB104.7 million as at 30 June 2013 (as at 31 December 2012: RMB47.5 million) reflecting an increase in the purchases of raw materials and the amount of finished goods in anticipation of increased sales orders and delivery in the second half of 2013. For the six months ended 30 June 2013, the average inventories turnover days was 85 days (as at 31 December 2012: 16 days).

Trade and bills receivables

Trade and bills receivables increased to approximately RMB86.5 million as at 30 June 2013 (as at 31 December 2012: RMB64.9 million). The trade and bills receivables as at 30 June 2013 were relatively higher as a result of certain bulk orders being delivered in May and June 2013.

Trade and bills payables

Trade and bills payables increased to approximately RMB110.9 million as at 30 June 2013 (as at 31 December 2012: RMB42.6 million). The Group made more purchases of raw materials in response to the increase in production volume during the six months ended 30 June 2013, 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 2013, the Group's current ratio (calculated as current assets divided by current liabilities) was approximately 1.1 (as at 31 December 2012: 1.5). As at 30 June 2013, the Group had cash and cash equivalents of approximately RMB36.9 million (as at 31 December 2012: RMB24.1 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 RMB105.0 million (as at 31 December 2012: RMB31.6 million). As at 30 June 2013, the Group's gearing ratio (calculated as the total debt as at period-end divided by total assets as at period-end x 100%, where total debts are defined to include both current and non-current interest-bearing borrowings) was approximately 22.3%, as compared to approximately 9.5% as at 31 December 2012.

As at 30 June 2013, the Group had no fixed rate bank borrowings (as at 31 December 2012: RMB5 million) but had variable rate bank borrowings of approximately RMB75 million (as at 31 December 2012: RMB26.6 million). The effective interest rates on the Group's variable-rate bank borrowings ranged from 5.60% to 8.96% per annum as at 30 June 2013 (as at 31 December 2012: variable rate bank borrowings ranged from 6.00% to 8.96% 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 of liabilities to total assets.

Interest rate and foreign currency exposure

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

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

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

Contingent liabilities

As at 30 June 2013, the Group had no material contingent liabilities.

Charges on Group assets

As at 30 June 2013, the Group's bills payables and bank borrowings were secured by pledges over the Group's machinery, buildings and prepaid lease payments of carrying amounts of approximately RMB17.5 million, RMB24.5 million and RMB12.9 million, respectively (as at 31 December 2012: RMB10.8 million, RMB22.5 million and RMB11.4 million, respectively). As at 30 June 2013, the Group also pledged its bank deposits of approximately RMB12.5 million (as at 31 December 2012: RMB3.8 million) to secure short-term bills payables.

USE OF PROCEEDS FROM LISTING

Net proceeds of approximately HKD38.4 million were raised from the initial public offering of the Company's shares in November 2011. The Company currently does not have any intention to change its plan for the 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 HKD19.2 million was utilised for upgrading and expanding the Group's manufacturing equipment and production plants to enhance its production efficiency. Approximately HKD5.7 million, HKD3.8 million and HKD1.7 million was utilised for expanding the sales channel, developing high-margin and innovative products and promoting brand name, respectively. Among the remaining proceeds of approximately HKD8.0 million, HKD3.8 million was utilised as working capital of the Group and the remaining amount was deposited in interest-bearing accounts of financial institutions in the PRC and Hong Kong.

HUMAN RESOURCES

As at 30 June 2013, the Group employed approximately 2,000 employees. Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group would conduct periodic reviews of the performance of its employees and their salaries and bonuses are performance-based. During the period under review, the Group has neither experienced any significant problems with its employees or disruptions to its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced employees. The Group maintains good relationships with its employees.

INTERIM DIVIDEND

The Board resolved not to recommend the payment of interim dividend for the six months ended 30 June 2013 (2012: Nil).

PROSPECTS

Looking into the second half of 2013, the Group expects to further accelerate the optimisation of product mix with a view to increasing the proportion of products with high gross profit margin. The Group also expects to take advantage of our accelerated production cycle and competitive products to offset the effect of RMB appreciation. Our cost competitiveness will be enhanced when the depreciation of the exchange rate of Japanese Yen, one of our major markets, stabilises.

Based on the above, we believe the international textile market is unlikely to further deteriorate during the second half of 2013. External demand is expected to be relatively stable as compared to last year and domestic demand is likely to remain sound. With the implementation of various macro regulations and the enhancement of market confidence, there is room for stable growth in domestic sales. The structural adjustment and transformation of the textile industry will continue. This will strengthen the internal impetus for the industrial development and prop up the industry to overcome the pressures on various aspects of the operations such as external demand, raw materials and cost.

In order to further explore the market for functional fabrics, we will commit ourselves to develop our own functional fabrics and continue to develop new functional products by forming business alliances with famous yarn fibre suppliers as well as improving the research and development capabilities of the Group. The Group's established market position and reputation, especially our leading position in the research and development of fabrics as well as our exclusive production and sales rights of the international brands, will help the Group to further expand in the PRC market.

Overseas market will continue to be our key market. The Group will further consolidate its relationship with existing customers in Japan and the United States as well as embrace a diversification strategy to expand into new markets such as Europe and Korea in order to spread the risks, diversify the distribution channels and enhance the capability of the Group's export business against external risks.

In the second half of the year, the Group will continue to invest in advanced equipment and sophisticated technology to expand production capacity, improve product quality, optimise production process, increase production efficiency and reduce operating costs. It is expected that the capital expenditure of the Group for the year ended 31 December 2013 will amount to not less than RMB35,000,000, of which approximately RMB27,100,000 has been used as planned, primarily for expanding production capacity and upgrading plant and production equipment. The production capacity expansion will be carried out in line with the Group's development. With its capital investment, the Group is looking forward to achieving significantly greater economies of scale in the future.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2013.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2013, the Group did not engage in any material acquisitions or disposals.

EVENT AFTER THE REPORTING PERIOD

As at the date of this interim results announcement, there are no significant events subsequent to 30 June 2013 which would materially affect the Group's operating and financial performance as at the date of the unaudited condensed consolidated interim results.

CORPORATE GOVERNANCE

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of its shareholders. The Company has adopted the code provisions and certain recommended best practices contained in the Corporate Governance Code (the “**CG Code**”), as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), as the code of the Company. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintain and improve high standards of corporate governance practices. During the six months ended 30 June 2013, the Company has complied with the code provisions (the “**Code Provisions**”) set out in the CG Code, except for the deviation set out as below:

Code Provision A2.1

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. This deviates from the requirement under Code Provision A2.1. Nevertheless, as Mr. Wong Kin Ling has 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 any 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 2013.

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 2013.

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 2013 will be available at the same websites and will be despatched to the Company’s shareholders in due course.

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

Hong Kong, 27 August 2013

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.