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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The board (the "**Board**") of directors (the "**Directors**") of Grand Concord International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2015, together with the comparative figures for the corresponding year ended 31 December 2014, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	3	**389,317**	453,476
Cost of sales		**(314,138)**	(341,979)
Gross profit		**75,179**	111,497
Other income and gains	4	**6,866**	2,303
Change in fair value in respect of convertible bonds		**(11,220)**	–
Selling and distribution expenses		**(10,979)**	(11,250)
Administrative expenses		**(56,358)**	(56,302)
Finance costs	5	**(5,403)**	(4,721)
(Loss) profit before tax		**(1,915)**	41,527
Income tax expense	6	**(5,039)**	(15,856)
(Loss) profit for the year	7	**(6,954)**	25,671
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**(507)**	(5)
Other comprehensive expense for the year, net of income tax		**(507)**	(5)
Total comprehensive (expense) income for the year		**(7,461)**	25,666
(Loss) earnings per share:			
– Basic and diluted (RMB)	8	**(0.02)**	0.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**213,142**	224,343
Goodwill		**1,008**	–
Prepaid lease payments		**11,830**	12,127
Deposits paid to acquire non-current assets		**363**	116
Prepayment		**–**	170
Deferred tax assets		**444**	427
		226,787	237,183
CURRENT ASSETS			
Inventories	*10*	**58,394**	54,385
Trade and bills receivables	*11*	**82,321**	80,467
Prepayments and other receivables		**24,823**	11,600
Prepaid lease payments		**297**	297
Income tax recoverable		**103**	–
Restricted bank deposits		**15,984**	17,532
Cash and bank balances		**76,175**	51,925
		258,097	216,206
CURRENT LIABILITIES			
Trade and bills payables	*12*	**62,177**	64,269
Accruals and other payables		**17,444**	28,524
Advance from customers		**2,000**	1,914
Interest-bearing borrowings		**97,412**	88,208
Derivatives embedded in convertible bonds		**87**	–
Convertible bonds		**4,388**	–
Income tax payables		**190**	438
		183,698	183,353
Net current assets		**74,399**	32,853
Total assets less current liabilities		**301,186**	270,036
NON-CURRENT LIABILITY			
Deferred tax liabilities		**572**	–
NET ASSETS		**300,614**	270,036
CAPITAL AND RESERVES			
Share capital		**91,106**	46,938
Reserves		**209,508**	223,098
TOTAL EQUITY		**300,614**	270,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF CONSOLIDATION

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) (the "**Companies Act**") 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 addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section in the Annual Report.

The Group is engaged in the manufacturing of innerwear products and knitted fabrics. The ultimate holding company of the Company is Global Wisdom Capital Holdings Limited ("**Global Wisdom**"), a limited liability company incorporated in the BVI.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("**HKAS(s)**"), amendments and Interpretations ("**Int(s)**"), issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for sales of innerwear products and knitted fabrics, net of discounts and sales related taxes. Revenue is analysed as follows:

	2015	2014
	RMB'000	*RMB'000*
Innerwear products	**238,266**	262,305
Knitted fabrics	**151,051**	191,171
	389,317	453,476

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

Geographical information

Information about the Group's revenue from external customers is presented based on the destination where the products are delivered. Information about the Group's non-current assets is presented based on geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2015	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Japan	**150,637**	214,684	**–**	–
The Peoples' Republic of China (the "PRC") (country of domicile)	**209,942**	223,949	**224,592**	236,756
United States	**11,450**	7,722	**–**	–
Others	**17,288**	7,121	**1,751**	–
	389,317	453,476	**226,343**	236,756

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:

	2015	2014
	RMB'000	*RMB'000*
Customer A *(note (a))*	**77,651**	100,899
Customer B *(note (a))*	**57,072**	N/A*
Customer C *(note (b))*	**40,353**	43,396

Notes:

(a) Revenue from manufacture of innerwear products and from overseas customers.

(b) Revenue from manufacture of knitted fabrics and from the PRC customer.

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. OTHER INCOME AND GAINS

	2015	2014
	RMB'000	*RMB'000*
Interest income on banks	**715**	687
Interest income on other receivable	**153**	–
Sales of scrap materials	**551**	846
Development and design income for samples	**35**	349
Net gain on disposal of property, plant and equipment	**650**	–
Government grants *(note)*	**160**	–
Exchange gains	**4,407**	295
Others	**195**	126
	6,866	2,303

Note: For the year ended 31 December 2015, government grants have been received by the Group from Zhucheng Bureau of Finance (諸城市財政局) for the Group's contribution of business development in Zhucheng county, which is directly recognised in profit or loss. The government subsidies have neither specified conditions that the Group has to fulfill nor specified usage requirements.

5. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**5,366**	6,593
Effective interest expense on convertible bonds	**294**	–
Total borrowing costs	**5,660**	6,593
Less: amounts capitalised in the cost of qualifying assets	**(257)**	(1,872)
	5,403	4,721

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.2% (2014: 6.3%) per annum to expenditure on qualifying assets.

6. INCOME TAX EXPENSE

	2015	2014
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax (the "EIT")		
– Provision for the year	**4,758**	14,629
– (Over) under-provision in prior years	**(292)**	523
Withholding tax	**–**	347
Deferred tax	**573**	357
	5,039	15,856

(a) 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.

Pursuant to the rules and regulations of Myanmar, the Myanmar subsidiary is subject to income tax at 25%.

For the year ended 31 December 2015, no provision for Myanmar Corporate Tax had been made as there was no estimated assessable profit derived from the Myanmar subsidiary.

(b) Hong Kong Profits Tax

The applicable tax rate for the subsidiaries incorporated in Hong Kong is 16.5% for the years ended 31 December 2015 and 2014.

For the years ended 31 December 2015 and 2014, no provision for Hong Kong Profits Tax had been made as there was no estimated assessable profit derived from Hong Kong subsidiaries.

(c) EIT

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

No provision of EIT has been made for Shandong Grand Concord Garment Co., Limited 山東順都國際貿易有限公司 (previously known as 山東廣豪服飾有限公司) ("Shangdong Grand Concord"), one of the subsidiaries of the Company, as Shandong Grand Concord did not have any assessable profits subject to EIT for the years ended 31 December 2015 and 2014.

(d) 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 the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for the year ended 31 December 2015, in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB236,985,000 (2014: Nil).

7. (LOSS) PROFIT FOR THE YEAR

	2015	2014
	RMB'000	*RMB'000*
(Loss) profit for the year has been arrived at after charging (crediting):		
Salaries and other benefits	**86,957**	78,431
Contributions to retirement benefit scheme	**8,402**	7,056
Total staff costs (including directors' emoluments)	**95,359**	85,487
Auditor's remuneration	**677**	638
Amortisation of prepaid lease payments	**297**	297
Cost of inventories recognised as an expense	**314,138**	341,979
Depreciation of property, plant and equipment	**24,704**	22,732
Exchange difference, net	**(4,026)**	14
Net (gain) loss on disposal of property, plant and equipment	**(650)**	2,500
Reversal of impairment on inventories (included in cost of sales)	**(119)**	–
Operating lease rentals in respect of rented premises	**1,292**	1,495

8. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) per share for the year ended 31 December 2015 is based on the loss attributable to owners of the Company of approximately RMB6,954,000 (2014: profit of approximately RMB25,671,000) and the weighted average of 398,242,285 ordinary shares (2014: 380,000,000) in issue during the year.

For the year ended 31 December 2015, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible loan notes since their exercise would result in a decrease in loss per share.

For the year ended 31 December 2014, diluted earning per share was the same as the basic earnings per share as there was no potential dilutive ordinary share outstanding.

9. DIVIDENDS

No dividend was proposed during the year ended 31 December 2015, nor has any dividend been proposed since the end of the respective period (2014: HK2 cents per share).

10. INVENTORIES

	2015	2014
	RMB'000	*RMB'000*
Raw materials	**28,929**	23,578
Work-in-progress	**21,996**	21,757
Finished goods	**7,469**	9,050
	58,394	54,385

During the year, inventories of approximately RMB119,000 which was fully impaired in prior years were sold at a consideration above RMB119,000. As a result, reversal of impairment on inventories of approximately RMB119,000 was recognised.

11. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade customers. As at 31 December 2015, certain Group's bills receivables with an aggregate carrying amount of RMB4,000,000 (2014: Nil) were pledged to secure the bills payables granted to the Group.

An aged analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date at the end of each reporting period is as follows:

	2015	2014
	RMB'000	*RMB'000*
0 – 30 days	**31,192**	42,035
31 – 60 days	**17,720**	13,568
61 – 90 days	**9,565**	11,767
Over 90 days	**23,844**	13,097
	82,321	80,467

12. TRADE AND BILLS PAYABLES

The aged analysis of trade payables is presented based on the invoice date at the end of the reporting period and as follows:

	2015	2014
	RMB'000	*RMB'000*
0 – 30 days	**37,440**	41,803
31 – 90 days	**19,921**	20,571
91 – 180 days	**4,242**	1,233
Over 180 days	**574**	662
	62,177	64,269

The average credit period on purchase of goods is from 30 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The bills payables are secured by restricted bank deposits and bills receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Looking back at 2015, Mainland China's economy exhibited more "New Normal" characteristics. Mainland China's economic growth continued to slow down with GDP growth at 6.9%, the lowest growth in the last 25 years. The manufacturing industry, which relies on, among other things, domestic demand and exports, continued to languish in the shadow of the economic slowdown, leading to lower sales and profit. The operating environment suffered continuously under the heavy downward pressure on the macro economy. Meanwhile, the global economy remained weak. The currency exchange rate continuously declined, and the speed of recovery did not meet expectations, especially as the major economies, such as the Eurozone and Russia, underwent a prolonged and slow recovery, the demand for bulk commodities from various countries decreased, and, in turn, the terminal textile and garment industry lost its growth momentum. To sum up, China's textile and apparel exports amounted to US$283.8 billion, representing a year on year reduction of 4.9%, which represented a quicker reduction than that of China's foreign trade exports of 1.4% in 2015.

Although the Group has established a leading position in the functional fabrics and functional innerwear market, it still suffered from both domestic and external market factors, and the business performance was dissatisfactory as it was affected by severe market circumstances. During the year under review, the fierce and continuous competition for domestic resources led to the incessant rise in production costs, including labour costs and raw material prices, leading to a more challenging business environment. In addition, the excess production capacity of the industry from weak exports and insufficient domestic demand in turn led enterprises to cut prices and hence gross profits of textile products for survival, which imposed unprecedented obstacles for the healthy development of the industry.

BUSINESS REVIEW

The Group is a vertically integrated manufacturer of functional fabrics and innerwear products. Its functional fabrics are mainly supplied to many famous brands in the world. The Group is also an OEM innerwear supplier for numerous major international clothing brands. Being affected by various domestic and external factors, and the overall operating performance of the Group during the year under review was not satisfactory. Total turnover dropped by approximately 14.1% to approximately RMB389.3 million resulting in a loss for the period amounted to approximately RMB7.0 million (Profit for the year ended 31 December 2014 was approximately RMB25.7 million). During the year under review, the revenue from functional fabrics and functional innerwear was approximately RMB138.4 million and RMB183.4 million respectively. As a well-established innerwear products and knitted fabrics manufacturer, the Group is being recognised and supported by the capital market. During the year under review, the Group successfully completed the issue of convertible bonds in the aggregate principal amount of up to HK$50.00 million at a coupon rate of 6% per annum (the "**Convertible Bonds**") in May 2015. The net proceeds amounting to approximately HK$45.5 million were intended to be used as the Group's general working capital. The capital raised from the issue of the Convertible Bonds greatly enhanced the liquidity of the Group and was an important support for the Group's future development.

The Convertible Bonds represent a combined financial instrument containing two components: (i) a bond liability and (ii) an embedded derivative representing a conversion option in foreign currency. In accordance with HKFRS, a bond liability of approximately RMB39.3 million was recognised and the liability under the embedded conversion option of approximately RMB14.5 million was recognised at the initial recognition date.

As at 31 December 2015, the bond liability and the liability under the embedded conversion option were approximately RMB4.4 million and RMB0.1 million, respectively and the Group recognised a loss of approximately RMB11.2 million on changes in fair value in respect of the Convertible Bonds for the year ended 31 December 2015 (2014: Nil).

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

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

In the face of the challenging markets, the Group adjusted the pace of development to retain its strength and capital flexibility. During the year under review, the Group reduced its investment in domestic plants and production capacity based on China's current economic situation. Meanwhile, as the Group foresaw more economic and trade integration in Southeast Asia, it proactively sought appropriate investment opportunities for production plants in those regions in order to hedge against the increasing labour and other costs in China, and to attract more quality and diversified customers. On November 2015, the Group took its first step to implement its expansion into other countries, and successfully acquired the entire equity interest in Win Glory International Manufacturing Company Limited ("Win Glory"), which was established in Myanmar and has a production plant of a gross floor area of approximately 2,000 square meters with an annual production capacity of approximately 2.4 million pieces, thus laying a solid foundation for the Group to expand its production and business in Myanmar in the near future.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by knitted fabrics and innerwear products and as a percentage of the Group's total revenue for the year ended 31 December 2015, with corresponding comparative figures for the year ended 31 December 2014:

	Year ended 31 December			
	2015	**2015**	2014	2014
	RMB'000	***%***	*RMB'000*	*%*
Knitted fabrics				
General fabrics	**12,609**	**3.2**	11,626	2.6
Functional fabrics	**138,442**	**35.6**	179,545	39.6
Sub-total	**151,051**	**38.8**	191,171	42.2
Innerwear products				
General innerwear	**54,865**	**14.1**	62,239	13.7
Functional innerwear	**183,401**	**47.1**	200,066	44.1
Sub-total	**238,266**	**61.2**	262,305	57.8
Total	**389,317**	**100.0**	453,476	100.0

For the year ended 31 December 2015, the Group recorded a revenue of approximately RMB389.3 million (2014: RMB453.5 million), representing a decrease of approximately RMB64.2 million, or approximately 14.2%. The sales volume of general fabrics, functional fabrics, general innerwear and functional innerwear for the year ended 31 December 2015 were approximately 300 tons, 1,845 tons, 4.4 million pieces and 12.6 million pieces respectively (2014: approximately 273 tons, 2,139 tons, 4.4 million pieces and 12.2 million pieces respectively). The decrease of revenue was mainly due to the decrease in sales of functional innerwear and functional fabrics products from approximately RMB200.1 million and RMB179.5 million in 2014 to approximately RMB183.4 million and RMB138.4 million, respectively in 2015.

Sales of knitted fabrics amounted to approximately RMB151.1 million (2014: RMB191.2 million) representing approximately 38.8% (2014: 42.2%) of the total revenue for the year ended 31 December 2015. The decrease in sales of knitted fabrics was mainly due to the slowdown in economic growth in China. The sales volume and sales of functional knitted fabrics decreased by approximately 13.7% and 22.9% to approximately 1,845 tons and RMB138.4 million, respectively, for the year ended 31 December 2015 (2014: 2,139 tons and RMB179.5 million, respectively). The knitted fabrics products were mainly distributed to the branded customers in China. Facing a relatively sluggish demand, the Group had to lower the unit selling price of the functional knitted fabrics. Due to the decrease in sales volume and unit selling price of functional knitted fabrics products, the overall sales of knitted fabrics decreased by 21.0% from approximately RMB191.2 million to RMB151.1 million.

Sales of innerwear products amounted to approximately RMB238.3 million (2014: RMB262.3 million), representing approximately 61.2% (2014: 57.8%) of the total revenue for the year ended 31 December 2015. The decrease in sales of innerwear products in the amount of approximately RMB24.0 million, or approximately 9.1%, for the year ended 31 December 2105 was mainly due to the decrease in unit selling price of innerwear product in 2015. The sales of general innerwear and functional innerwear decreased from RMB62.2 million and RMB200.1 million, respectively in 2014, to RMB54.9 million and RMB183.4 million, respectively in 2015. Meanwhile, the sales volume of general innerwear and functional innerwear maintained at 4.4 million pieces and slightly increased to 12.6 million pieces, respectively for the year ended 31 December 2015 (2014: general innerwear: 4.4 million pieces; functional innerwear: 12.2 million pieces). The main reason for the decrease in the unit selling price of innerwear products was the stagnant economic situation in Japan. Japanese market was the largest sales channel of the Group's functional innerwear products. In view of the economic situation in Japan, the Group lowered the unit selling price of its products so as to maintain its relationship with the customers.

Cost of sales

Cost of sales decreased by approximately 8.2% from approximately RMB342.0 million for the year ended 31 December 2014 to approximately RMB314.1 million for the corresponding year ended in 2015. The average unit production costs of innerwear products and knitted fabrics products of the Group for the year ended 31 December 2015 were similar to those over the same period in 2014. The decrease in overall cost of sales was mainly due to the decrease in sales volume of the knitted fabrics products.

Gross profit and gross profit margin

Gross profit decreased by approximately RMB36.3 million, or approximately 32.6%, from approximately RMB111.5 million for the year ended 31 December 2014 to approximately RMB75.2 million for the corresponding year ended in 2015. The Group's gross profit margin decrease from approximately 24.6% for the year ended 31 December 2014 to approximately 19.3% for the corresponding year ended in 2015 mainly due to the decrease in the unit selling price of the Group's products.

The Group's gross profit and gross profit margins by products for the year ended 31 December 2015, with corresponding comparative figures for the year ended 31 December 2014 are as follows:

	Year ended 31 December			
	2015	**2015**	2014	2014
	Gross profit	**Gross profit margins**	Gross profit	Gross profit margins
	RMB'000	**%**	*RMB'000*	%
Knitted fabrics				
General fabrics	**1,206**	**9.6**	1,215	10.5
Functional fabrics	**23,845**	**17.2**	42,863	23.9
Sub-total	**25,051**		44,078	
Innerwear products				
General innerwear	**5,944**	**10.8**	6,940	11.2
Functional innerwear	**44,184**	**24.1**	60,479	30.2
Sub-total	**50,128**		67,419	
Total	**75,179**	**19.3**	111,497	24.6

Other income and other gains

Other income and other gains amounted to approximately RMB6.9 million (2014: RMB2.3 million) for the year ended 31 December 2015 which were mainly exchange gain, interest income, sample sales income and sales of scarp materials. The increase in other income and other gains was mainly due to the gain in exchange difference derived from the depreciation of RMB in 2015 of approximately 4.4 million (2014: RMB0.3 million).

Change in fair value in respect of the Convertible Bonds

On 20 May 2015, the Group issued the Convertible Bonds in the aggregate principle amount of up to HK$50 million. The Convertible Bonds represent a combined financial instrument containing two components: (i) a bond liability and (ii) an embedded derivative representing a conversion option in foreign currency. In accordance with HKFRS, a bond liability of approximately RMB36.7 million (net of transaction costs of approximately RMB2.6 million) was recognised and the liability under the embedded conversion option of approximately RMB14.5 million was recognised at the initial recognition date.

As at 31 December 2015, the bond liability and the liability under the embedded conversion option were approximately RMB4.4 million and RMB0.1 million, respectively and we recognised a loss of approximately RMB11.2 million on changes in fair value of the derivative financial instrument for the year ended 31 December 2015 (2014: Nil).

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

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB0.3 million to approximately RMB11.0 million (2014: RMB11.3 million) for the year ended 31 December 2015. Selling expenses mainly represented the transportation expenses, salaries and commission to the sales staff. Although the sales of the Group decreased, the selling expenses for the year ended 31 December 2015 was similar as those incurred in 2014 as the sales volume to the overseas customers in 2015 was similar to that of 2014. Furthermore, additional selling expenses were incurred for the sales to newly developed customers in Europe.

Administrative expenses

Administrative expenses remained at approximately RMB56.4 million (2014: RMB56.3 million) for the year ended 31 December 2015. The management made efforts to reduce the administrative expenses of the Group. For the year ended 31 December 2015, a transaction cost of approximately RMB1.0 million was incurred due to the issue of the Convertible Bonds. Excluding the above expenses, the administrative expenses of the group decreased by 1.8% as compared to those for the year ended 31 December 2014.

Finance costs

Finance costs increased to approximately RMB5.4 million (2014: RMB4.7 million) for the year ended 31 December 2015 primarily due to the Group's increase in average bank borrowing during the year ended 31 December 2015.

(Loss) profit before tax

The Group's loss before tax was approximately RMB1.9 million (2014: profit before tax RMB41.5 million) for the year ended 31 December 2015 primarily due to the decrease in revenue and gross profit as a result of decrease in unit selling price, as well as the change in fair value of derivative component of the Convertible Bonds as mentioned above.

Income tax expense

Income tax expense decreased to approximately RMB5.0 million (2014: RMB15.9 million) for the year ended 31 December 2015. The Group's effective tax rate for the year ended 31 December 2015 was approximately negative 263%, as compared to approximately 38.2% for the corresponding year in 2014. The decrease in effective tax rate was due to less tax loss not recognised in the Group's subsidiaries for the year ended 31 December 2015 when comparing to the year ended 31 December 2014.

(Loss) profit for the year and profit margin

The Group's profit for the year decreased by approximately RMB32.7 million, from approximately RMB25.7 million for the year ended 31 December 2014 to a loss of approximately RMB7.0 million for the corresponding year in 2015. The decrease in the profit was mainly due to the decrease in gross profit of approximately RMB36.3 million, increase in change in fair value of derivative component of the Convertible Bonds of approximately RMB11.2 million for the year ended 31 December 2015 as mentioned in the above paragraphs.

Inventories

The inventory balances increased to approximately RMB58.4 million as at 31 December 2015 (2014: RMB54.4 million).

The average inventory turnover days increased to approximately 66 days (2014: 63 days) for the year ended 31 December 2015.

Trade and bills receivables

Trade receivables increased to approximately RMB82.3 million (2014: RMB80.5 million) as at 31 December 2015.

The average trade receivables turnover days increased to approximately 76 days (2014: 61 days) for the year ended 31 December 2015 as the sales portion to domestic customers, which usually granted with a longer credit terms increased. The trade receivables turnover days still fall within the credit terms granted to the customers of the Group.

Trade and bills payables

Trade and bills payables decreased to approximately RMB62.2 million (2014: RMB64.3 million) as at 31 December 2015. The average turnover days for trade payables slightly increased to approximately 73 days (2014: 64 days) for the year ended 31 December 2015 which were in line with the trade credit periods given by the suppliers of the Group.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sale of its products and bank borrowings. As at 31 December 2015, the Group's current ratio (calculated as current assets divided by current liabilities) was 1.40 (as at 31 December 2014: 1.18). As at 31 December 2015, the Group had cash and cash equivalents of approximately RMB76.2 million (as at 31 December 2014: RMB51.9 million) and short-term bank loans of approximately RMB97.4 million (as at 31 December 2014: RMB88.2 million). As at 31 December 2015, the Group's gearing ratio (calculated as total debts as at year end divided by total assets for the year x 100%, while debts are defined to include current and non-current interest-bearing borrowings) measured on the basis of total bank loans was approximately 20.1%, as compared to approximately 19.5% as at 31 December 2014.

As at 31 December 2015, the Group had fixed rate bank loans of RMB40 million (2014: Nil) and variable rate bank loans of approximately RMB57.4 million (2014: RMB88.2 million). The effective interest rates on the Group's fixed rate bank borrowings and variable rate bank borrowings was 4.91% and ranged from 4.57% to 6.18% per annum as at 31 December 2015 (2014: fixed rate: Nil; variable rate: 5.60% to 8.96% per annum). During the year 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 next financial year.

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

Interest rate and foreign currency exposure

The Group is exposed to cash flow interest rate risks 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 historically 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 manage the interest expenses by financing with both fixed and variable rate debts, and 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, trade and other payables and interest-bearing borrowings are denominated in USD, Japanese yen and HK$ respectively, while substantial operating expenses are denominated in RMB, and the Group's reporting currency is 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 pricing to compensate for the increase in cost of production. This would lower the Group's market competitiveness, on a price basis, for its products and could result in a decrease in revenue. In the future, the management will monitor foreign exchange exposure and will consider hedging or factoring significant foreign currency exposure should the need arise.

Contingent liabilities

As at 31 December 2015, the Group had no material contingent liabilities.

Charges on group assets

As at 31 December 2015, the Group's bank loans were secured by the Group's machinery, buildings and land use rights of carrying amounts of approximately RMB10.1 million, RMB90.0 million and RMB12.1 million, respectively (as at 31 December 2014: RMB11.7 million, RMB79.9 million and RMB12.4 million, respectively). As at 31 December 2015, the Group also pledged its bank deposits of approximately RMB16.0 million (as at 31 December 2014: RMB17.5 million) and bills receivables of RMB4 million (as at 31 December 2014: Nil) to secure short-term bills payables.

HUMAN RESOURCES

As at 31 December 2015, the Group employed approximately 2,200 employees (2014: 2,000). The total staff costs (excluding directors' emoluments) of the Group for the year ended 31 December 2015 were approximately RMB88.9 million (31 December 2014: RMB79.6 million). 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 for the employees and their salaries and bonuses are performance related. 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 a good relationship with its employees.

FINAL DIVIDEND

No payment of a final dividend for the year ended 31 December 2015 was recommended by the Board (2014: HK2.0 cents per share).

MATERIAL ACQUISITIONS AND DISPOSALS

The Group acquired a subsidiary located at Yangon of Myanmar during the year ended 31 December 2015 for a consideration of USD200,000 (approximately RMB1,242,000). The amount of goodwill arising as a result of the acquisition was approximately RMB1,008,000. For details, please refer to the announcement of the Company dated 4 November 2015.

PROSPECT

The textile industry in China has experienced difficult times in 2015. China, as the current major textile manufacturing and exporting country in the world, was being affected by domestic and external economic circumstances in the recent years, resulting in the slowdown of the growth rate of various indicators including manufacturing, exports, investment, domestic sales and profit. China's textile industry, being one of the traditional cornerstone industries of China and an important livelihood industry as well as an industry creating international new advantages, will regain great support from the government, among which, the initiatives of the "13th Five-Year Plan" and "One Belt One Road" will bring along unprecedented opportunities and directly stimulate a new round of development for the textile industry.

According to the "13th Five-Year Plan", the textile industry will be fostered and expected to maintain a two-digit rapid growth rate in the future. The textile industry in China is an industry that combines technology and fashion, and integrates apparel consumption with industrial use. It plays an important role in enhancing people's quality of life, driving related industries, and boosting the growth of domestic demand. The "13th Five-Year Plan" will develop key field such as energy saving, emissions reduction, and low-carbon environmental protection. The "One Belt One Road" strategy will facilitate international industrial cooperation and coordinate textile enterprises in China to build up overseas processing bases with the main goal of lowering labour costs, thereby becoming one of the sections or the extension of the industrial chain.

The development direction of the Group coincides with the requirements of the state policy. The Group's environmental friendly and healthy "green" functional fabrics that emphasise on quality and functions are expected to be in line with the promotion of "green" development in China, while the production line in Myanmar acts as a vital step to realise the close interaction between China and Central Asia. Looking ahead, with the positive support by the state policy, the industry will regain healthy and rapid development when the market sentiments recover and the consumption power is revived. The Group will timely adjust the investment in productivity so as to strengthen the foundation for further production capacity enhancement in the future. In the meantime, the Group will restart the research and development of functional fabrics, and devote itself to exploring new products and enhancing the environmental protection quality of its products which cater to the domestic and overseas demand in the leisure, home and sports apparel markets. The Group has always believed that the textile industry still has an enormous development space. The management hopes to better leverage its advantage as a one-stop provider and capitalise its strength across all sections of the industry chain to capture market opportunities in its best position for achieving breakthrough in its future growth and maximise returns for its shareholders.

ISSUE OF CONVERTIBLE BONDS

On 20 May 2015, the Company completed the issue of the Convertible Bonds with a principal amount of HK$50 million and the initial conversion price is HK$1.386 per conversion share (subject to adjustment). A maximum of 36,075,036 conversion shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, representing approximately 9.50% of the number of issued shares of the Company as at 6 May 2015 and approximately 8.67% of the number of issued shares of the Company as enlarged by the issue of such conversion shares. For details, please refer to the announcements of the Company dated 6 May 2015 and 20 May 2015.

As at 31 December 2015, out of the net proceeds of approximately HK$45.5 million from the Convertible Bonds approximately HK$26.5 million was utilised as working capital of the Group and the remaining amount was deposited in interest-bearing accounts of financial institutions in Hong Kong.

During the year ended 31 December 2015, Convertible Bonds with an aggregate principal amount of approximately HK$44.3 million were converted into 31,947,300 ordinary shares with no par value at the conversion price of HK$1.386 per share. As at 31 December 2015, the Convertible Bonds with an aggregate principal amount of approximately HK$5.7 million remain outstanding.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 Board has adopted the code provisions of the Corporate Governance Code (the "**Code Provision(s)**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). 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. In the opinion of the Directors, during the year ended 31 December 2015, the Company has complied with the Code Provisions except for the deviation set out below:

Code Provision A.2.1

Code Provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

At present, the Company does not have any officer with the title of chief executive. The duties of a chief executive are undertaken by Mr. Wong Kin Ling, the chairman of the Board. Although this deviates from the practice under Code Provision A.2.1, which provides that the two positions should be held by two different individuals, as Mr. Wong Kin Ling has considerable and extensive knowledge and experience in the industry and in enterprise operation and management in general, the Board believes that it is in the best interests of the Company and its shareholders as a whole to continue to have Mr. Wong Kin Ling to act as the chairman and to assume the duties of a chief executive. The Board can benefit from his knowledge of the business and his capability in leading the Board in the long term development of the Group. From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the chairman should not be able to monopolise the voting of the Board. The Board considers that the balance of power between the Board and the senior management can still be maintained under the current structure. The Board shall review the structure from time to time to ensure appropriate action is taken should the need arise.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company confirms that, having made specific enquiry of all the Directors, the Directors have complied with the required standards as set out in the Model Code during the year ended 31 December 2015.

AUDIT COMMITTEE

The Audit Committee comprises solely independent non-executive Directors, namely, Mr. Wang Jin Tang, Ms. Tay Sheve Li and Dr. Chan Ah Pun. The Audit Committee is chaired by Ms. Tay Sheve Li, who possesses the appropriate professional qualifications and extensive experience in, and knowledge of, finance and accounting as required under Rule 3.10 of the Listing Rules. All Audit Committee members hold the relevant industry and financial experience necessary to advise the Board on strategies and other related matters. None of the Audit Committee members is a former partner of the Company's existing external auditors.

The Audit Committee is responsible for making recommendations 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 those auditors; monitoring the integrity of the financial statements, the annual report and accounts, half-year report 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 Group's audited financial statements and annual report for the year ended 31 December 2015 had been reviewed by the Audit Committee, which was of the opinion that the preparation of such statements and report complied with the applicable accounting standards and requirements and that adequate disclosure had been made.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Monday, 23 May 2016. A notice convening the annual general meeting will be published on the websites of the Stock Exchange and the Company and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the annual general meeting, the register of members of the Company will be closed from Thursday, 19 May 2016 to Monday, 23 May 2016, both dates inclusive, during which period no transfer of shares will be registered. Shareholders are reminded that in order to qualify for attendance at the annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 18 May 2016.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final 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 annual report for the year 2015 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
Wong Kin Ling
Chairman

Hong Kong, 24 March 2016

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. Feng Yongming; and one non-executive Director, namely Mr. Wei Jin Long; and three independent non-executive Directors, namely Mr. Wang Jin Tang, Ms. Tay Sheve Li and Dr. Chan Ah Pun.