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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 2016

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 2016, with the comparative figures for the corresponding period in 2015, 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	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue		**179,236**	169,764
Cost of sales		**(145,310)**	(138,206)
Gross profit		**33,926**	31,558
Other income and gains	*4*	**2,193**	2,189
Change in fair value of derivative component of convertible bonds		**–**	(13,835)
Selling and distribution expenses		**(4,191)**	(4,744)
Administrative expenses		**(31,690)**	(31,452)
Finance costs	*5*	**(2,345)**	(2,978)
Loss before tax		**(2,107)**	(19,262)
Income tax expense	*6*	**(1,991)**	(440)
Loss for the period	*7*	**(4,098)**	(19,702)
		RMB cents	*RMB cents*
Loss per share	*9*		
– Basic and diluted		**(1.0)**	(5.1)
Loss for the period	*7*	**(4,098)**	(19,702)
Other comprehensive expense for the period			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(24)**	(201)
Total comprehensive expense for the period		**(4,122)**	(19,903)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 engaged in the manufacturing of knitted fabrics and innerwear. As at the date of this announcement, the ultimate holding company of the Company is Junfun Investment Limited ("**Junfun**"), a limited liability company incorporated in the Cayman Islands.

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

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

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

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

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

3. SEGMENT INFORMATION

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

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

The following tables present revenue and profit information for the Group's reportable segments for the six months ended 30 June 2016 and 2015, respectively.

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

	Six months ended 30 June 2015		
	Innerwear products	Knitted fabrics	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue			
External sales	96,435	73,329	169,764
Inter-segment revenue	21,324	18,715	40,039
Elimination	(21,324)	(18,715)	(40,039)
Group's revenue	96,435	73,329	169,764
Segment (loss) profit	(1,053)	3,677	2,624
Other income			377
Finance costs			(2,978)
Change in fair value of derivative component of convertible bonds			(13,835)
Unallocated head office and corporate expenses			(5,450)
Loss before tax			(19,262)

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

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

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

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

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

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

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

4. OTHER INCOME AND GAINS

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

5. FINANCE COSTS

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

6. INCOME TAX EXPENSE

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

7. LOSS FOR THE PERIOD

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

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

9. LOSS PER SHARE

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

The calculation of basic loss per share for the six months ended 30 June 2015 is based on the loss attributable to owners of the Company of approximately RMB19,702,000 and weighted average number of ordinary shares of 384,334,031 in issue during the six months ended 30 June 2015.

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

During the six months ended 30 June 2015, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in a decrease in loss per share. During the six months ended 30 June 2016, the convertible bond is expiry and fully redeemed by the Group.

10. PROPERTY, PLANT AND EQUIPMENT

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

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

11. DEPOSITS PAID TO ACQUIRE NON-CURRENT ASSETS

As at 31 December 2015, the Group paid deposits of approximately RMB363,000 (30 June 2016: N/A) to acquire certain property, plant and equipment for expansion and improvements of production facilities.

12. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period of 30 to 90 days to its trade customers. The ageing analysis of the Group's trade and bills receivables net of allowance for doubtful debts, based on the invoice date at the end of the reporting period, is presented as follows:

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
0 - 30 days	**44,972**	31,192
31 - 60 days	**14,730**	17,720
61 - 90 days	**917**	9,565
Over 90 days	**13,138**	23,844
	73,757	82,321

13. TRADE AND BILLS PAYABLES

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

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

14. INTEREST-BEARING BORROWINGS

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

15. CONVERTIBLE BONDS

On 20 May 2015, the Company issued 6% convertible bonds with an aggregate principal amount of HK$50,000,000 (equivalent to approximately RMB39,683,000) (the "**Convertible Bonds**"). The Convertible Bonds are denominated in HK$ and entitle the holders to convert them into ordinary shares of the Company at any time between 1 June 2015 and up to the 14th day immediately preceding the maturity date which is 19 May 2016 at an initial conversion price of HK$1.386, subject to adjustments, per convertible bond. If the Convertible Bonds have not been converted, it will be redeemed on maturity date at par. The Convertible Bonds contain two components, liability and derivative components. The effective interest rate of the liability component is 7% per annum.

Upon the maturity of the Convertible Bonds during the period, the Company fully redeemed the convertible bonds through cash.

The movement of the liability and derivative components of the Convertible Bonds are set out below:

	Liability Component RMB'000	Derivative Component RMB'000	Total RMB'000
Principal amount at date of issue	**39,683**	**–**	**39,683**
Loss arising on changes in fair value on initial recognition	**(371)**	**14,527**	**14,156**
Fair value at date of issue	**39,312**	**14,527**	**53,839**
Transaction costs	**(2,607)**	**–**	**(2,607)**
Effective interest expenses	**294**	**–**	**294**
Interest payable	**(171)**	**–**	**(171)**
Conversion of convertible bonds	**(32,614)**	**(11,554)**	**(44,168)**
Gain arising on changes in fair value	**–**	**(2,936)**	**(2,936)**
Exchange realignment	**174**	**50**	**224**
At 31 December 2015 (audited)	**4,388**	**87**	**4,475**
Effective interest expenses	**119**	**–**	**119**
Repayment of convertible bonds	**(4,835)**	**–**	**(4,835)**
Loss on redemption of convertible bonds (included in administrative expenses)	**330**	**(87)**	**243**
Exchange realignment	**(2)**	**–**	**(2)**
At 30 June 2016 (unaudited)	**–**	**–**	**–**

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

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

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

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

BUSINESS REVIEW

The Group is a leading vertically-integrated manufacturer of functional fabrics and innerwear products, with its products sold to many famous brands in the world. The Group is also an OEM innerwear supplier for numerous major international clothing brands, with its plants set up in China and Myanmar. While the pressure of deterioration of the Chinese and global economy was building up, we recorded a steady increase in our operating results during the period under review, with our total turnover increased by approximately 5.5% to RMB179.2 million (2015: RMB169.8 million). During the period under review, the sales revenue from our functional fabrics and innerwear was approximately RMB47.7 million and RMB94.5 million, respectively, while that from general fabrics and innerwear was approximately RMB3.9 million and RMB33.1 million, respectively. Such growth was mainly attributable to the increases in both price and quantity of apparel exports to Europe and Japan. Meanwhile, benefiting from the "One Belt One Road" opportunities, our plant in Myanmar acquired at the end of 2015 also landed plenty of orders.

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

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

During the period under review, the Group did not significantly increase its investment in domestic plants and production capacity based on China's current economic situation. Meanwhile, as the Group foresaw opportunities in economic and trade integration in Southeast Asia and "One Belt One Road", it proactively sought appropriate investment opportunities for production plants in those regions in order to hedge against the increasing labour and other costs in China, and attract more quality and diversified customers. In the fourth quarter of 2015, the Group acquired the plants of Win Glory International Manufacturing Company Limited ("**Win Glory**"), which was established in Myanmar and has a gross floor area of approximately 2,000 square meters with an annual production capacity of approximately 2.4 million pieces. During the period under review, the transaction brought the Group a stable flow of orders and laid 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 six months ended 30 June 2016, with corresponding comparative figures for 2015:

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

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

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

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

Cost of sales

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

Gross profit and gross profit margin

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

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

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

Other income and gains

Other income and gains amounted to approximately RMB2.2 million (2015: RMB2.2 million) for the six months ended 30 June 2016 which were mainly exchange gain, interest income from bank deposits and gains from sales of scrap materials.

Change in fair value of derivative component of convertible bonds

On 20 May 2015, the Group issued the Convertible Bonds in the aggregate principle amount of up to HKD50 million. The Convertible Bonds represent a combined financial instrument containing two components: (i) a bond liability and (ii) an embedded derivative representing a conversion option in foreign currency. In accordance with HKFRS, a bond liability of RMB36.1 million (net of transaction costs of RMB3.6 million) was recognised and the liability under the embedded conversion option of RMB14.5 million was recognised at the initial recognition date.

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

As at 30 June 2016, the bond has matured, and the outstanding amount was either converted in 2015 or repaid upon maturity. No bond liability or liability under the embedded conversion option was noted as at 30 June 2016.

Selling and distribution expenses

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

Administrative expenses

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

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

Finance costs

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

(Loss) profit before tax

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

Income tax expense

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

Loss for the period and loss margin

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

Inventories

The inventory balances increased to approximately RMB59.1 million as at 30 June 2016 (as at 31 December 2015: RMB58.4 million) reflecting an increase in the purchases of raw materials and the amount of finished goods in anticipation of increased sales orders and delivery in the second half of 2015. For the six months ended 30 June 2016, the average inventories turnover days was 74 days (as at 31 December 2015: 66 days).

Trade and bills receivables

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

Trade and bills payables

Trade and bills payables slightly increased to approximately RMB65.3 million as at 30 June 2016 (as at 31 December 2015: RMB62.2 million). The Group made more purchases of raw materials in anticipation of increased sales orders and delivery in the second half of 2015, which led to the increase in the trade and bills payables.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sales of its products, bank borrowings and issuance of the Convertible Bonds. As at 30 June 2016, the Group's current ratio (calculated as current assets divided by current liabilities) was approximately 1.4 (as at 31 December 2015: 1.4). As at 30 June 2016, the Group had cash and cash equivalents of approximately RMB101.5 million (as at 31 December 2015: RMB76.2 million), which were mainly generated from or utilised in daily operations, including sales of products, purchase of materials and obtaining of the short-term bank loans of approximately RMB96.0 million (as at 31 December 2015: RMB97.4 million). As at 30 June 2016, the Group's gearing ratio (calculated as the total debt as at period-end divided by total assets as at period-end x 100%, where total debts are defined to include both current and non-current interest-bearing borrowings) was approximately 20.0%, as compared to approximately 21.0% as at 31 December 2015.

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

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

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

Interest rate and foreign currency exposure

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

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

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

Contingent liabilities

As at 30 June 2016, the Group had no material contingent liabilities.

Charges on Group assets

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

HUMAN RESOURCES

As at 30 June 2016, the Group employed approximately 2,300 employees. Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group would conduct periodic reviews of the performance of its employees and their salaries and bonuses are performance-based. During the period under review, the Group has neither experienced any significant problems with its employees or disruptions to its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced employees. The Group maintains good relationships with its employees.

INTERIM DIVIDEND

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

PROSPECTS

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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 2016.

MATERIAL ACQUISITIONS AND DISPOSALS

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

EVENT AFTER THE REPORTING PERIOD

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

CORPORATE GOVERNANCE

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of its shareholders. The Company has adopted the code provisions and certain recommended best practices contained in the Corporate Governance Code (the "**CG Code**"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), as the code of the Company. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintain and improve high standards of corporate governance practices. During the six months ended 30 June 2016, the Company has complied with the code provisions (the "**Code Provisions**") set out in the CG Code, except for the deviation set out below:

Code Provision A.2.1

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company confirms that, having made specific enquiry of all the Directors, the Directors have complied with the required standards as set out in the Model Code during the six months ended 30 June 2016.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

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

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2016.

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

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 2016 will be available on 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, 30 August 2016

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Wong Kin Ling, Madam Hung Kin and Mr. Wang Shao Hua; 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.