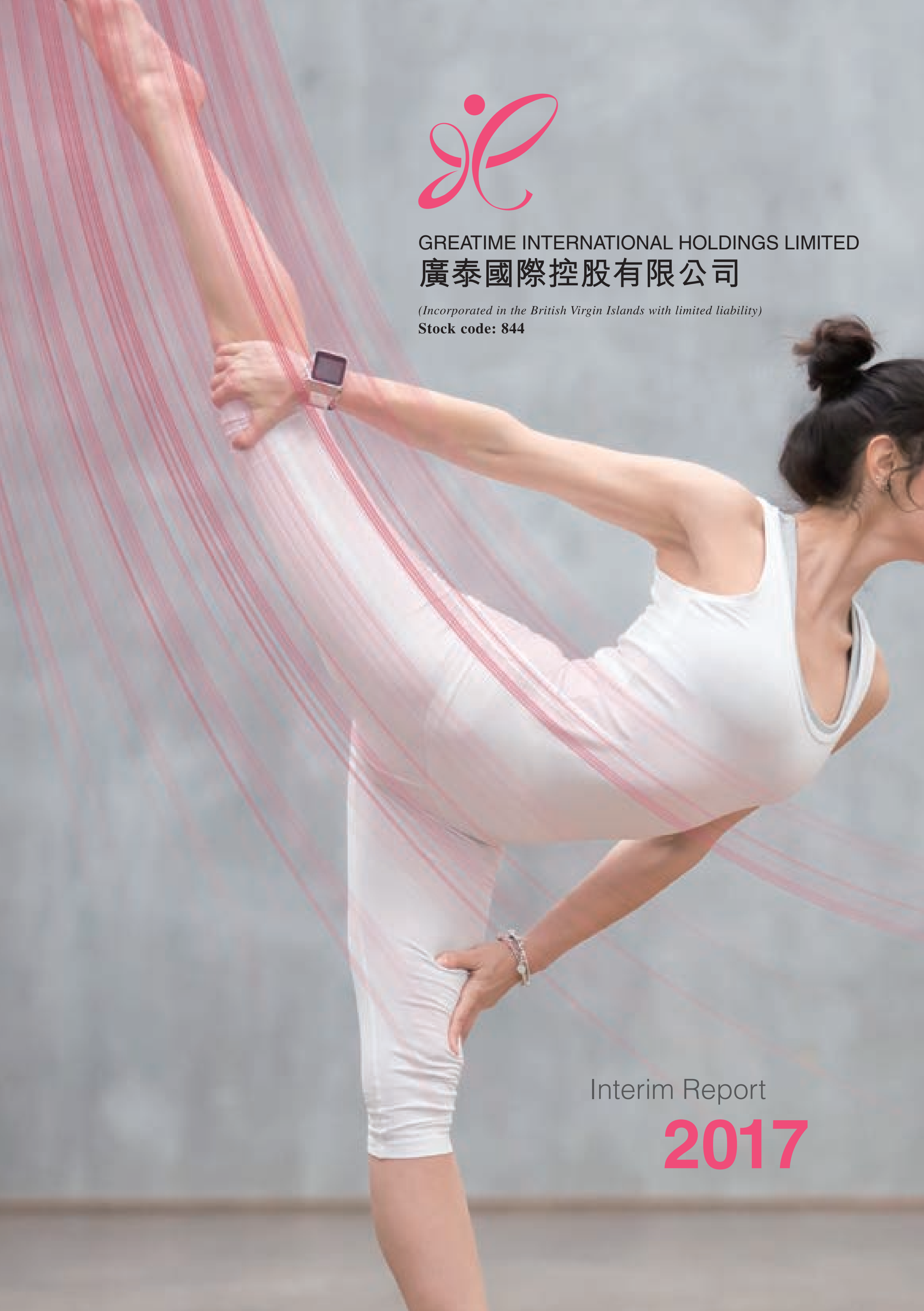

GREATIME INTERNATIONAL HOLDINGS LIMITED

廣泰國際控股有限公司

*(Incorporated in the British Virgin Islands with limited liability)*

**Stock code: 844**

# Interim Report 2017

# CONTENTS

# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Wang Bin
Ms. Tian Ying
Mr. Lam Tet Foo

## NON-EXECUTIVE DIRECTOR

Mr. Zhang Yanlin

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Dunkai
Ms. Feng Xin
Mr. Hu Quansen

## AUTHORISED REPRESENTATIVES

Mr. Wang Bin
Ms. Tian Ying

## AUDIT COMMITTEE

Mr. Hu Quansen *(Chairman)*
Ms. Feng Xin
Mr. Xu Dunkai

## REMUNERATION COMMITTEE

Mr. Xu Dunkai *(Chairman)*
Ms. Tian Ying
Mr. Hu Quansen

## NOMINATION COMMITTEE

Mr. Wang Bin *(Chairman)*
Ms. Feng Xin
Mr. Hu Quansen

## COMPANY SECRETARY

Mr. Lee Yin Sing, *CPA*

## AUDITOR

SHINEWING (HK) CPA Limited

## LEGAL ADVISER

*As to Hong Kong law:*
Loeb & Loeb LLP

## REGISTERED OFFICE

P.O. Box 3340
Road Town
Tortola
British Virgin Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 4408, 44/F
183 Queen's Road East
Wan Chai
Hong Kong
(with effect from 30 June 2017)

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 102 Renmin Dong Road
Zhucheng City
Shandong Province
The PRC

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE BVI

Tricor Services (BVI) Limited
P.O. Box 3340, Road Town, Tortola
British Virgin Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## PRINCIPAL BANKER

Industrial and Commercial Bank of China,
Zhucheng sub-branch
The Hongkong and Shanghai Banking
Corporation Limited

## LISTING INFORMATION

Place of listing: Main Board of
The Stock Exchange of Hong Kong Limited
Stock Code: 844

## COMPANY'S WEBSITE

www.grandconcord.com

# FINANCIAL HIGHLIGHTS

## KEY FINANCIAL INFORMATION

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Key Financial Information** | | |
| Revenue | **150,440** | 179,236 |
| Gross profit | **25,453** | 33,926 |
| Loss before tax | **(11,189)** | (2,107) |
| Loss for the period | **(12,482)** | (4,098) |
| Total comprehensive expense for the period | **(14,654)** | (4,122) |

| | **As at** | As at |
|---|---|---|
| | **30 June** | 31 December |
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Non-current assets | **215,550** | 212,396 |
| Current assets | **225,667** | 219,196 |
| Current liabilities | **164,212** | 139,915 |
| Net current assets | **61,455** | 79,281 |
| Total assets | **441,217** | 431,592 |
| Total assets less current liabilities | **277,005** | 291,677 |
| Total equity | **276,414** | 291,018 |
| Cash and cash equivalents | **105,585** | 113,101 |

## KEY FINANCIAL RATIOS

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| Gross profit margin | **16.9%** | 18.9% |
| Net loss margin | **(8.3)%** | (2.3)% |
| Trade receivables turnover days | **61** | 80 |
| Inventory turnover days | **71** | 74 |

| | **As at 30 June 2017** | As at 31 December 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Gearing ratio[(1)] | **18.6%** | 20.4% |
| Current ratio[(2)] | **1.4** | 1.6 |

*Notes:*

1. Gearing ratio represents the ratio of total borrowings to total assets.

2. Current ratio represents the ratio of current assets to current liabilities.

## REVENUE OF THE GROUP ANALYSED BY PRODUCT CATEGORIES

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2017** | **2017** | 2016 | 2016 |
| | **RMB'000** | **%** | RMB'000 | % |
| **Knitted fabrics** | | | | |
| General fabrics | **20,178** | **13.4** | 3,923 | 2.2 |
| Functional fabrics | **4,435** | **3.0** | 47,719 | 26.6 |
| **Sub-total** | **24,613** | **16.4** | 51,642 | 28.8 |
| **Innerwear products** | | | | |
| General innerwear | **46,556** | **30.9** | 33,111 | 18.5 |
| Functional innerwear | **79,271** | **52.7** | 94,483 | 52.7 |
| **Sub-total** | **125,827** | **83.6** | 127,594 | 71.2 |
| **Total** | **150,440** | **100.0** | 179,236 | 100.0 |

## REVENUE OF THE GROUP ANALYSED BY REGIONAL DISTRIBUTION

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2017** | **2017** | 2016 | 2016 |
| | **RMB'000** | **%** | RMB'000 | % |
| Japan | **82,729** | **55.0** | 81,185 | 45.3 |
| PRC | **54,435** | **36.2** | 86,618 | 48.3 |
| United States and others | **13,276** | **8.8** | 11,433 | 6.4 |
| **Total** | **150,440** | **100.0** | 179,236 | 100.0 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

In the first half of 2017 ("**Period under Review**"), market confidence towards global economy was generally strengthened, and China's gross domestic product ("**GDP**") achieved a steady growth of 6.9% in the second quarter. The China textile sector has been re-rated since last year, gaining an average of 10-35%, with the most gains from the upstream segment. During the Period under Review, the total investment in China's textile industry amounted to approximately RMB603 billion, representing an increase of 9.11% compared to the same period last year. In terms of exports, China has been adversely affected by the slow recovery of global economy and reducing demand from international market in recent years. However, during the Period under Review, the accumulated export of textile clothes amounted to approximately USD124 billion, representing a mild increase of 2.1% after two years' negative growth. The importance of textile industry is fully demonstrated through its role as the national pillar industry in China's economy. However, growing challenges from rising raw material prices, financing costs and overhang from Trump's protectionism policy on the global trade may weigh on industry sentiments.

### BUSINESS OVERVIEW

On 26 June 2017, Greatime International Holdings Limited ("the **Company**") announced its name change from "Grand Concord International Holdings Limited" to "Greatime International Holdings Limited", and the Chinese name of the Company changed from "廣豪國際控股有限公司" to "廣泰國際控股有限公司", with effect from 31 May 2017, which signifies the pursuit of the Company and its subsidiaries (collectively, the "**Group**") in a more diversified business portfolio in reducing the current business risk and improving source of revenue.

As a leading vertically-integrated manufacturer of functional fabrics and innerwear products of numerous famous brands around the world, the Group is also an OEM innerwear supplier of numerous major international clothing brands, and operates production plants in China and Myanmar. During the Period under Review, the Group's revenue recorded a decrease of 16% to approximately RMB150.4 million (2016: RMB179.2 million), which led to a loss of approximately RMB12.5 million (loss for the corresponding period in 2016: RMB4.1 million). The increase in total loss was mainly due to the decrease in gross profit. Although the number of orders from clients in mainland China has increased steadily during the Period under Review, the Group's total gross profit decreased by 25.0% to RMB25.5 million as a result of the decrease in average unit selling price of the Group's products.

During the Period under Review, the Group's revenues from functional fabrics and functional innerwear were approximately RMB4.4 million and RMB79.3 million, respectively; and revenues from general fabrics and general innerwear were approximately RMB20.2 million and RMB46.6 million, respectively. The proportion of general fabrics and innerwear revenue increased to 13.4% (2016: 2.2%) and 30.9% (2016: 18.5%), reflecting that the profitability difference between functional fabrics and general fabrics has become less obvious.

The Group continued to export garments to its main markets including Japan, the U.S. and Europe given their relatively stable demands. Revenue brought by exports accounted for RMB82.1 million, representing 54.6% of the total revenue of the Group for the six months ended 30 June 2017. The Group is looking to market its quality fabrics and innerwear products to other new markets for reinforcing its business foundation and maintaining reasonable gross margins.

In view of the changing market, the Group proactively adjusted the production capacity of its plants in various regions. Driven by the Belt and Road Initiative ("**BRI**"), the Group has been looking for more appropriate investment opportunities within the BRI region. Sales in the Group's fully-owned equity in Myanmar – Win Glory Company Manufacturing Company Limited ("**Win Glory**") – remained stable, contributing a total revenue of approximately RMB2.9 million in the Period under Review. The Group has recently paid a 30-year rental for another land in Myanmar to further expand its garment businesses. Thanks to the warming of diplomatic and economic relations with western countries, it is believed that Myanmar will experience an unprecedented political and economic revival. Together with the strong support from the Myanmarese government, Myanmar textile and apparel industry is predicted to grow significantly in the near future. The Group is confident that the increasing business proportion in Myanmar will become an important cornerstone for the Group's long-term and sustainable profitability.

## 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 2017, with corresponding comparative figures for 2016:

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2017** | | 2016 | |
| | **RMB'000** | **%** | RMB'000 | % |
| **Knitted fabrics** | | | | |
| General fabrics | **20,178** | **13.4** | 3,923 | 2.2 |
| Functional fabrics | **4,435** | **3.0** | 47,719 | 26.6 |
| **Sub-total** | **24,613** | **16.4** | 51,642 | 28.8 |
| **Innerwear products** | | | | |
| General innerwear | **46,556** | **30.9** | 33,111 | 18.5 |
| Functional innerwear | **79,271** | **52.7** | 94,483 | 52.7 |
| Sub-total | **125,827** | **83.6** | 127,594 | 71.2 |
| Total | **150,440** | **100.0** | 179,236 | 100.0 |

For the six months ended 30 June 2017, the Group recorded a revenue of approximately RMB150.4 million (2016: RMB179.2 million), representing a decrease of approximately RMB28.8 million, or approximately 16.1%, as compared with that for the corresponding period in 2016. The sales volume of general fabrics, functional fabrics, general innerwear and functional innerwear for the six months ended 30 June 2017 were approximately 976 tons, 277 tons, 3.5 million pieces and 5.0 million pieces respectively (2016: 163 tons, 818 tons, 2.3 million pieces and 5.9 million pieces respectively). The decrease in revenue was mainly due to the decrease in the sales of the Group's fabrics products from approximately RMB51.6 million for six months ended 30 June 2016 to approximately RMB24.6 million for six months ended 30 June 2017.

Sales of knitted fabrics amounted to approximately RMB24.6 million (2016: RMB51.6 million), representing approximately 16.4% (2016: 28.8%) of the total revenue for the period ended 30 June 2017. 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 66.2% and 90.7% to approximately 277 tons and RMB4.4 million, respectively, for the period ended 30 June 2017 (2016: 818 tons and RMB47.7 million, respectively). The knitted fabrics products were mainly distributed to branded customers in China. Facing a sluggish demand and economic environment, customers tend to order general fabrics instead of functional fabrics. The orders of general fabrics increased for the six months ended 30 June 2017 and the sales and sales volume of general fabrics increased to approximately RMB20.2 million and 976 tons (2016: approximately RMB3.9 million and 103 tons). As the average unit selling price of general fabrics products is lower than that of functional fabrics products, even though the increase in sales volume of general fabrics products overcame the decrease in sales volume of functional fabrics products, the total sales of fabrics products decreased by RMB27.0 million to RMB24.6 million for the period ended 30 June 2017.

Sales of innerwear products amounted to approximately RMB125.8 million (2016: RMB127.6 million), representing approximately 83.6% (2016: 71.2%) of the total revenue for the six months ended 30 June 2017. The performance of innerwear products was relatively steadier, a slight decrease in sales of innerwear products in the amount of approximately RMB1.8 million, or approximately 1.4%, for the six months ended 30 June 2017 was noted. The sales volume of general innerwear increased from 2.3 million pieces for six months ended 30 June 2016 to 3.5 million pieces in corresponding period in 2017. The increase in sales volume was mainly due to certain new customers in Europe. Meanwhile, the sales volume of functional innerwear slightly decreased from approximately 5.9 million pieces for six months ended 30 June 2016 to 5.0 million pieces for six months ended 30 June 2017. The decrease in the sales volume was mainly due to the sluggish demand in China, which influenced the sales of innerwear products in domestic market. The increase in sales of general innerwear overcome the decrease in sales of functional innerwear, and resulted in a steady sales amount in six months ended 30 June 2017 when comparing to same period in 2016.

### Cost of sales

Cost of sales decreased by approximately 14.0% from approximately RMB145.3 million for the six months ended 30 June 2016 to approximately RMB125.0 million for the corresponding period in 2017. The decrease in cost of sales was mainly due to the decrease in cost of sales of fabrics products from RMB46.5 million for six months ended 30 June 2016 to RMB23.3 million for six months ended 30 June 2017, which was in line with the decrease in sales of fabrics products for the period ended 30 June 2017.

### Gross profit and gross profit margin

Gross profit decreased by approximately RMB8.5 million, or approximately 25.0%, from approximately RMB33.9 million for the six months ended 30 June 2016 to approximately RMB25.5 million for the six months ended 30 June 2017 as a result of the decrease in average unit selling price of the Group's products. The Group's gross profit margin decrease from approximately 18.9% for the six months ended 30 June 2016 to approximately 16.9% for the corresponding period in 2017.

The following table sets forth the Group's gross profits and gross profit margins by products for the six months ended 30 June 2017, with corresponding comparative figures in 2016:

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2017** | | 2016 | |
| | **RMB'000** | **%** | RMB'000 | % |
| **Knitted fabrics** | | | | |
| General fabrics | **470** | **2.3** | 221 | 5.6 |
| Functional fabrics | **823** | **18.6** | 4,888 | 10.2 |
| **Sub-total** | **1,293** | | 5,109 | |
| **Innerwear products** | | | | |
| General innerwear | **4,505** | **9.7** | 5,119 | 10.6 |
| Functional innerwear | **19,655** | **24.8** | 23,698 | 25.1 |
| Sub-total | **24,160** | | 28,817 | |
| Total | **25,453** | **16.9** | 33,926 | 18.9 |

**Other income and gains**

Other income and gains amounted to approximately RMB1.7 million (2016: RMB2.2 million) for the six months ended 30 June 2017 which were mainly exchange gains, interest income from bank deposits and gains from sales of scrap materials.

**Selling and distribution expenses**

Selling and distribution expenses decreased by approximately RMB0.4 million to approximately RMB3.8 million (2016: RMB4.2 million) for the six months ended 30 June 2017. The decrease in selling and distribution expenses was mainly due to the decrease in transportation expenses from approximately RMB1.2 million for the six months ended 30 June 2016 to approximately RMB0.6 million for the same period of 2017.

**Administrative expenses**

Administrative expenses increased by approximately 3.2% to approximately RMB32.7 million (2016: RMB31.7 million) for the six months ended 30 June 2017. The Group implemented cost control procedures, which resulted 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 increased to RMB22.9 million for the six months ended 30 June 2017 as compared to RMB22.1 million in the corresponding period in 2016. Increase in staff benefits was mainly due to remuneration paid to the new Directors of the Company since October 2016.

**Finance costs**

Finance costs decreased to approximately RMB1.8 million (2016: RMB2.3 million) for the six months ended 30 June 2017 primarily due to the decrease in average bank borrowings when compared to that for the same period in 2016. The effective interest rates charged on bank borrowings for the six months ended 30 June 2017 ranged from 4.5% to 5.0%, which were similar as that of the same period in 2016 (2016: 4.6% to 5.0%).

**Loss before tax**

The Group's loss before tax was approximately RMB11.2 million (2016: RMB2.1 million) for the six months ended 30 June 2017, mainly due to the decrease in gross profit in both knitted fabrics and innerwear products. The gross profit of fabrics products and innerwear products decreased from RMB5.1 million and RMB28.8 million, respectively for the six months ended 30 June 2016 to RMB1.3 million and RMB24.2 million, respectively for the six months ended 30 June 2017.

**Income tax expense**

Income tax expense decreased to approximately RMB1.2 million (2016: RMB2.0 million). The Group's effective tax rate for the six months ended 30 June 2017 was negative 11.5% as compared to negative 94.5% for the corresponding period in 2016.

### Loss for the period and loss margin

The Group's loss increased by approximately RMB8.4 million, from approximately a loss of RMB4.1 million for the six months ended 30 June 2016 to a loss of approximately RMB12.5 million for the corresponding period in 2017. The increase in the loss was mainly due to the decrease in gross profit of approximately RMB8.4 million as mentioned in the above paragraphs.

### Inventories

The inventory balances increased to approximately RMB53.7 million as at 30 June 2017 (as at 31 December 2016: RMB44.5 million) reflecting an increase in the purchases of raw materials and the amount of finished goods in anticipation of increased sales orders and delivery in the second half of 2017. For the six months ended 30 June 2017, the average inventories turnover days was 71 days (as at 31 December 2016: 69 days).

### Trade and bills receivables

Trade and bills receivables increased to approximately RMB52.2 million as at 30 June 2017 (as at 31 December 2016: RMB48.3 million). The average trade receivables turnover days decreased to approximately 61 days (for the year ended 31 December 2016: 71 days) as the proportion of the sales to domestic customers, to whom we usually granted longer credit terms, decreased.

### Trade and bills payables

Trade and bills payables increased to approximately RMB56.4 million as at 30 June 2017 (as at 31 December 2016: RMB31.9 million). The Group made more purchases of raw materials in anticipation of increased sales orders and delivery in the second half of 2016, 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 and bank borrowings. As at 30 June 2017, the Group's current ratio (calculated as current assets divided by current liabilities) was approximately 1.4 (as at 31 December 2016: 1.6). As at 30 June 2017, the Group had cash and cash equivalents of approximately RMB108.2 million (as at 31 December 2016: RMB113.1 million), which were mainly generated from or utilised in daily operations, including sales of products, purchase of materials and obtaining of the short-term bank loans of approximately RMB82.0 million (as at 31 December 2016: RMB88.0 million). As at 30 June 2017, 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 18.6%, as compared to approximately 20.4% as at 31 December 2016.

As at 30 June 2017, the Group had no fixed rate bank borrowings (as at 31 December 2016: RMB40 million) and variable rate bank borrowings of approximately RMB82 million (as at 31 December 2016: RMB48 million). The effective interest rates on the Group's variable rate bank borrowings ranged from 4.5% to 5.0% per annum, as at 30 June 2017 (as at 31 December 2016: fixed rate bank borrowings 5.0%; variable rate bank borrowings ranged from 4.6% to 5.0% per annum). During the period under review, there was no material change in 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 2017, the Group had no material contingent liabilities.

### Charges on Group assets

As at 30 June 2017, the Group's bank loans were secured by the Group's machinery, buildings and land use rights of carrying amounts of approximately RMB7.7 million, RMB81.7 million and RMB11.5 million, respectively (as at 31 December 2016: RMB8.5 million, RMB84 million and RMB11.8 million, respectively). As at 30 June 2017, the Group also pledged its bank deposits of approximately RMB2.6 million (as at 31 December 2016: RMB3.2 million) and nil bills receivables (as at 31 December 2016: Nil) to secure short-term bills payables.

## HUMAN RESOURCES

As at 30 June 2017, 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 2017 (2016: Nil).

## PROSPECTS

China's textile industry is one of the important economic pillars and it has always been the global pioneer. However, due to a series of regional development pains, such as economic slowdown, structural transformation, the increase in labor prices, the fluctuations of raw material prices etc, China's textile industry is standing at the crossroads of future development opportunities while faced with challenges. Competition will remain fierce in the second half of 2017 with operating environment remains uncertain.

The Group believes China will strive to demonstrate its strong determination in maintaining its leading position in textile industry despite the complicated macroeconomic demographics. With its eyes on a broader market, the Group has begun optimizing its customer portfolio since 2015 with its focus on the Japanese and European markets. The Group will continue diversifying its businesses geographically for risk control purposes. Further, in view of the challenges ahead, the Group has initiated several measures, including seeking more strategic cooperation with ASEAN clients and streamlining business to strengthen overall competitiveness and strive for business sustainability.

Last but not least, to seize the benefits of the economic recovery, the Group is implementing prudent measures including production costs reduction, regional business expansion and investment opportunities exploration for achieving financial improvements and maximization of shareholder's value. The Board believes that global textile industry is still developing at a healthy pace and will continue to grow steadily for the coming years.

## 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 2017.

## MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2017, the Group did not engage in any material acquisitions or disposals.

## EVENT AFTER THE REPORTING PERIOD

As at the date of this interim report, there is no significant event subsequent to 30 June 2017 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 maintaining and improving high standards of corporate governance practices. During the six months ended 30 June 2017, the Company has complied with the code provisions (the "**Code Provisions**") set out in the CG Code.

## 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 2017.

## SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 15 to the condensed consolidated financial statements.

## SHARE OPTION SCHEME

Prior to the listing of the Company's shares, the Company had conditionally adopted a share option scheme (the "**Share Option Scheme**") on 19 August 2011 which became unconditional and effective on 24 November 2011. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants (as specified in the section headed "Share Option Scheme" in the prospectus of the Company issued on 14 November 2011) as incentives or rewards for their contribution to the Group.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the total number of shares of the Company in issue at the time of its adoption (i.e. 380,000,000 shares), without prior approval from the Company's shareholders, and the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12 months is not permitted to exceed 1% of the shares of the Company in issue at any point of time without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors, or any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million, based on the closing price of the Company's shares at the date of the grant, must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days from the date of grant upon payment of HK$1 per grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

During the six months ended 30 June 2017, no options to subscribe for ordinary shares in the Company were granted under the Share Option Scheme.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the Directors and the chief executive of the Company did not have any interests and short positions in the Company's shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, laws of Hong Kong) ("SFO")), as recorded in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, the Company, its parent company, or any of its subsidiaries or fellow subsidiaries did not, at any time during the six months ended 30 June 2017 and up to the date of this interim report, enter into any arrangements, which would enable the Directors, their respective spouses or any of their minor children, to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, and neither the Directors, their respective spouses nor their minor children, had been granted any rights or exercised such rights to subscribe for securities of the Company.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, to the best knowledge of the Directors, the records of interest (being 5% or more of the issued share capital of the Company, other than the Directors or the chief executive of the Company) as registered in the register kept by the Company under section 336 of the SFO were as follows:

| Name | Capacity | Number of shares[(1)] | Approximate percentage of shareholding |
|---|---|---|---|
| Junfun Investment Limited | Beneficial owner | 260,661,501 (L) | 63.28% |

Note:

(1) The letter "L" denotes long position in the shares.

## 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 Mr. Hu Quansen *(Chairman)*, Mr. Xu Dunkai and Ms. Feng Xin, who are the independent non-executive Directors.

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial results for the six months ended 30 June 2017.

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.

## REMUNERATION COMMITTEE

The remuneration committee (the "**Remuneration Committee**") of the Company was established on 19 August 2011 with written terms of reference in compliance with the Listing Rules. The Remuneration Committee is responsible for, among other functions, making recommendations to the Board on the policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; determining the specific remuneration packages of all the executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of the non-executive Directors; and reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. The Remuneration Committee comprises two independent non-executive Directors, Mr. Xu Dunkai and Mr. Hu Quansen and one executive Director, Ms. Tian Ying. The Remuneration Committee is chaired by Mr. Xu Dunkai.

## NOMINATION COMMITTEE

The nomination committee (the "**Nomination Committee**") of the Company was established on 27 March 2012 with written terms of reference in compliance with the Listing Rules. The Nomination Committee is responsible for formulating the nomination policy for consideration of the Board and implementing the nomination policy laid down by the Board; reviewing the structure, size and composition of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying and nominating individuals suitable qualified to become the members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive directors; making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and conforming to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the memorandum and articles of association of the Company or imposed by legislation. The Nomination Committee comprises two independent non-executive Directors, Mr. Hu Quansen and Ms. Feng Xin and one executive Director, Mr. Wang Bin. The Remuneration Committee is chaired by Mr. Wang Bin.

## CHANGES OF INFORMATION IN RESPECT OF DIRECTORS

In the six months ended 30 June 2017 and up to the date of this report, there were no changes to information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules, where applicable.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*FOR THE SIX MONTHS ENDED 30 JUNE 2017*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *NOTES* | **RMB'000** | RMB'000 |
| | | **(Unaudited)** | (Unaudited) |
| **Revenue** | | **150,440** | 179,236 |
| Cost of sales | | **(124,987)** | (145,310) |
| Gross profit | | **25,453** | 33,926 |
| Other income and gains | *4* | **1,685** | 2,193 |
| Selling and distribution expenses | | **(3,837)** | (4,191) |
| Administrative expenses | | **(32,696)** | (31,690) |
| Finance costs | *5* | **(1,794)** | (2,345) |
| **Loss before tax** | | **(11,189)** | (2,107) |
| Income tax expense | *6* | **(1,293)** | (1,991) |
| **Loss for the period** | *7* | **(12,482)** | (4,098) |
| **Loss per share** | | | |
| – Basic and diluted (RMB cents) | *9* | **(3.0)** | (1.0) |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30 JUNE 2017*

| | | Six months ended 30 June | |
|---|---|---|---|
| | *NOTES* | **2017**<br>**RMB'000**<br>**(Unaudited)** | 2016<br>RMB'000<br>(Unaudited) |
| **Loss for the period** | *7* | **(12,482)** | (4,098) |
| Other comprehensive expense for the period | | | |
| Items that may be subsequently reclassified to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | **(2,172)** | (24) |
| **Total comprehensive expense for the period** | | **(14,654)** | (4,122) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT 30 JUNE 2017*

| | *NOTES* | **30 June 2017 RMB'000 (Unaudited)** | 31 December 2016 RMB'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *10* | **196,755** | 199,890 |
| Prepaid lease payments on land use rights | *10* | **15,214** | 11,532 |
| Deposits paid to acquire non-current assets | *11* | **3,090** | 472 |
| Deferred tax assets | | **491** | 502 |
| | | **215,550** | 212,396 |
| **Current assets** | | | |
| Inventories | | **53,699** | 44,482 |
| Trade and bills receivables | *12* | **52,233** | 48,306 |
| Prepayments and other receivables | | **11,264** | 13,010 |
| Prepaid lease payments and land use rights | *10* | **297** | 297 |
| Restricted bank deposits | | **2,589** | 3,225 |
| Cash and bank balances | | **105,585** | 109,876 |
| | | **225,667** | 219,196 |
| **Current liabilities** | | | |
| Trade and bills payables | *13* | **56,444** | 31,914 |
| Accruals and other payables | | **20,699** | 17,053 |
| Advance from customers | | **4,147** | 1,838 |
| Interest-bearing borrowings | *14* | **82,000** | 88,000 |
| Income tax payables | | **922** | 1,110 |
| | | **164,212** | 139,915 |
| Net current assets | | **61,455** | 79,281 |
| Total assets less current liabilities | | **277,005** | 291,677 |
| **Non-current liability** | | | |
| Deferred tax liabilities | | **591** | 609 |
| **Net assets** | | **276,414** | 291,068 |
| **Capital and reserves** | | | |
| Share capital | *15* | **91,106** | 91,106 |
| Reserves | | **185,308** | 199,962 |
| **Total equity** | | **276,414** | 291,068 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*FOR THE SIX MONTHS ENDED 30 JUNE 2017*

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share capital** RMB'000 | **Statutory reserve** RMB'000 *(Note (a))* | **Exchange reserve** RMB'000 | **Retained earnings** RMB'000 | **Special reserve** RMB'000 *(Note (b))* | **Other reserve** RMB'000 *(Note (c))* | **Total** RMB'000 |
| As at 1 January 2016 (audited) | 91,106 | 37,191 | 451 | 166,149 | (83) | 5,800 | 300,614 |
| Loss for the period | – | – | – | (4,098) | – | – | (4,098) |
| Other comprehensive expense for the period: | | | | | | | |
| Exchange differences arising on translation of foreign operations | – | – | (24) | – | – | – | (24) |
| Total comprehensive expense for the period | – | – | (24) | (4,098) | – | – | (4,122) |
| As at 30 June 2016 (unaudited) | 91,106 | 37,191 | 427 | 162,051 | (83) | 5,800 | 296,492 |
| As at 1 January 2017 (audited) | **91,106** | **37,191** | **3,444** | **153,610** | **(83)** | **5,800** | **291,068** |
| Loss for the period | **–** | **–** | **–** | **(12,482)** | **–** | **–** | **(12,482)** |
| Exchange differences arising on translation of foreign operations | **–** | **–** | **(2,172)** | **–** | **–** | **–** | **(2,172)** |
| Total comprehensive expense for the period | **–** | **–** | **(2,172)** | **(12,482)** | **–** | **–** | **(14,654)** |
| As at 30 June 2017 (unaudited) | **91,106** | **37,191** | **1,272** | **141,128** | **(83)** | **5,800** | **276,414** |

*Notes:*

**(a) Statutory reserve**

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

**(b) Special reserve**

Special reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiary acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interest in the subsidiary as part of the group reorganisation.

**(c) Other reserve**

Other reserve represents the difference between the fair value of past services rendered by the employees and the net present values of the consideration payable by the employees in respect of the share transferred.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*FOR THE SIX MONTHS ENDED 30 JUNE 2017*

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Cash generated from operations | | |
| Increase in inventories | **(9,587)** | (746) |
| (Increase) decrease in trade and bills receivables | **(4,761)** | 8,564 |
| Decrease in prepayments and other receivables | **1,677** | 9,900 |
| Increase in trade and bills payables | **24,530** | 3,146 |
| Increase in accruals and other payables | **3,721** | 1,513 |
| Other operating cash flows | **5,128** | 12,295 |
| | **20,708** | 34,672 |
| Income tax paid | **(1,481)** | (1,969) |
| Net cash generated from operating activities | **19,227** | 32,703 |
| Net cash (used in) generated from investing activities | | |
| Purchase of property, plant and equipment | **(9,793)** | (6,831) |
| Other investing cash flows | **(4,950)** | 7,878 |
| | **(14,743)** | 1,047 |
| Net cash used in financing activities | | |
| New borrowings raised | **60,000** | 74,000 |
| Repayment of borrowings | **(66,000)** | (75,412) |
| Repayment of Convertible Bonds | **–** | (4,726) |
| Other financing cash flows | **(1,794)** | (2,349) |
| | **(7,794)** | (8,487) |
| Net (decrease) increase in cash and cash equivalents | **(3,310)** | 25,263 |
| Cash and cash equivalents at 1 January | **109,876** | 76,175 |
| Effect of foreign exchange rate changes | **(981)** | 87 |
| Cash and cash equivalents at 30 June, represented by cash and bank balances | **105,585** | 101,525 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 30 JUNE 2017*

## 1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Greatime International Holdings Limited (formerly known as 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 Room 4408, 44/F, 183 Queen's Road East, Wan Chai, Hong Kong.

Pursuant to a special resolution passed at the annual general meeting held on 26 May 2017, the English name of the Company was changed from "Grand Concord International Holdings Limited" to "Greatime International Holdings Limited" and the Chinese name of the Company was changed from "廣豪國際控股有限公司" to "廣泰國際控股有限公司" with immediate effect.

The Company and its subsidiaries (the "**Group**") are principally engaged in the manufacturing of knitted fabrics and innerwear. The ultimate holding company of the Company is Junfun Investment Limited, 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 People Republic of China (the "**PRC**"). Other than those PRC subsidiaries, the functional currency of a 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 2016.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretation ("**new and revised HKFRSs**") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2017.

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014 – 2016 Cycle |
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Lossess |

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 periods 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 2017 and 2016, respectively.

| | Six months ended 30 June 2017 | | |
|---|---|---|---|
| | **Innerwear products RMB'000 (Unaudited)** | **Knitted fabrics RMB'000 (Unaudited)** | **Total RMB'000 (Unaudited)** |
| **Revenue** | | | |
| External sales | **125,826** | **24,614** | **150,440** |
| Inter-segment revenue | **78,456** | **29,396** | **107,852** |
| Elimination | **(78,456)** | **(29,396)** | **(107,852)** |
| Group's revenue | **125,826** | **24,614** | **150,440** |
| **Segment profit (loss)** | **105** | **(2,786)** | **(2,681)** |
| Other income | | | **443** |
| Finance costs | | | **(1,794)** |
| Unallocated head office and corporate expenses | | | **(7,157)** |
| **Loss before tax** | | | **(11,189)** |

3. **SEGMENT INFORMATION** *(Continued)*

| | 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 (loss) profit** | 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) |

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, 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.

## 3. SEGMENT INFORMATION *(Continued)*

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

| | **30 June 2017 RMB'000 (Unaudited)** | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Innerwear products | **195,098** | 172,675 |
| Knitted fabrics | **131,692** | 144,479 |
| Unallocated assets | **114,427** | 114,438 |
| Total assets | **441,217** | 431,592 |
| Innerwear products | **54,696** | 32,189 |
| Knitted fabrics | **23,021** | 16,989 |
| Unallocated liabilities | **87,086** | 91,346 |
| Total liabilities | **164,803** | 140,524 |

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, 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 and deferred tax liabilities.

## 4. OTHER INCOME AND GAINS

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Interest income | **443** | 421 |
| Exchange gain, net | **297** | 740 |
| Sales of scrap material | **875** | 414 |
| Gain on disposal of property, plant and equipment, net | **27** | 508 |
| Others | **43** | 110 |
| | **1,685** | 2,193 |

## 5. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Wholly repayable within five years: | | |
| Interest on bank loans | **1,924** | 2,240 |
| Interest on Convertible Bonds | **–** | 119 |
| Less: amounts capitalised in the cost of qualifying assets | **(130)** | (14) |
| | **1,794** | 2,345 |

## 6. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| PRC Enterprise Income Tax | | |
| – Provision for the year | **1,063** | 2,043 |
| – Under/(over) provision in prior years | **230** | (85) |
| Deferred tax | **–** | 33 |
| | **1,293** | 1,991 |

## 7. LOSS FOR THE PERIOD

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Loss for the period has been arrived at after charging: | | |
| Salaries and other benefits | **53,945** | 44,958 |
| Contributions to retirement benefit scheme | **5,123** | 4,462 |
| Total staff costs (including directors' emoluments) | **59,068** | 49,420 |
| Cost of inventories recognised as an expense | **124,987** | 145,310 |
| Amortisation of prepaid lease payments | **149** | 148 |
| Depreciation of property, plant and equipment | **12,534** | 12,807 |
| Gain on disposal of property, plant and equipment, net | **(27)** | (508) |
| Operating lease rentals in respect of rented premises | **251** | 182 |

## 8. DIVIDENDS

No dividends were paid, declared or proposed during the period (six months ended 30 June 2016: nil). 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 2017 is based on the loss attributable to owners of the Company of approximately RMB12,482,000 and weighted average number of ordinary shares of 411,947,330 in issue during the six months ended 30 June 2017. 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.

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 2017 and 2016.

## 10. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

During the six months ended 30 June 2017, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB866,000 (six months ended 30 June 2016: approximately RMB90,000), resulting in a net gain on disposal of approximately RMB27,000 (six months ended 30 June 2016: net gain on disposal of approximately RMB508,000).

During the six months ended 30 June 2017, the Group acquired approximately RMB9,662,000 (six months ended 30 June 2016: RMB7,208,000) of property, plant and equipment.

During the six months ended 30 June 2017, the Group acquired approximately RMB3,801,000 (six months ended 30 June 2016: Nil) of prepaid lease payment on land use right.

## 11. DEPOSITS PAID TO ACQUIRE NON-CURRENT ASSETS

As at 30 June 2017, the Group paid deposits of approximately RMB3,090,000 (31 December 2016: HK$472,000) to acquire certain property, plant and equipment for the expansion and improvement 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 2017 RMB'000 (Unaudited)** | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| 0 – 30 days | **41,882** | 18,783 |
| 31 – 60 days | **3,075** | 2,097 |
| 61 – 90 days | **1,128** | 4,444 |
| Over 90 days | **6,148** | 22,982 |
| | **52,233** | 48,306 |

## 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 2017 RMB'000 (Unaudited)** | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| 0 – 30 days | **36,880** | 20,414 |
| 31 – 90 days | **17,162** | 9,396 |
| 91 – 180 days | **1,684** | 1,044 |
| Over 180 days | **718** | 1,060 |
| | **56,444** | 31,914 |

## 14. INTEREST-BEARING BORROWINGS

During the six month ended 30 June 2017, the Group obtained new bank borrowings amounting to approximately RMB60,000,000 (six months ended 30 June 2016: RMB74,000,000) and repaid the bank borrowings amounting to approximately RMB66,000,000 (six months ended 30 June 2016: RMB75,412,000).

## 15. SHARE CAPITAL

**Authorised:**

As at 30 June 2017 and 31 December 2016, the Company was authorised to issue a maximum of 1,000,000,000 shares with no par value.

**Issued and fully paid:**

| | **Number of shares** | **Amount** |
|---|---|---|
| | | RMB'000 |
| Issued and fully paid: | | |
| At 1 January 2016, 31 December 2016 (audited) and 30 June 2017 (unaudited) | 411,947,330 | 91,106 |

During the year ended 31 December 2015, the Convertible Bonds with an aggregate principal amount of HK$44,278,997 (equivalent to approximately RMB35,142,000) were converted into 31,947,330 ordinary shares with no par value at a conversion price of HK$1.386 per share. No such conversion of shares occurred during the six months ended 30 June 2016 and 2017.

## 16. CAPITAL COMMITMENT

| | **30 June 2017 RMB'000 (Unaudited)** | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Amount contracted for but not provided for in respect of acquisition of property, plant and equipment | **985** | 5,762 |

## 17. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure bills payables to suppliers and bank loans of the Group at the end of the reporting period:

| | **30 June 2017 RMB'000 (Unaudited)** | 31 December 2016 RMB'000 (Audited) |
|---|---|---|
| Prepaid lease payments | **11,589** | 11,829 |
| Property, plant and equipment | **89,353** | 92,949 |
| Restricted bank deposits | **2,589** | 3,225 |
| | **103,531** | 108,003 |

## 18. MATERIAL RELATED PARTY TRANSACTIONS

### (i) Balances:

The directors of the Company confirmed that there are no material balances due from/to related parties of the Company and the Group.

### (ii) Transactions with related parties:

The directors of the Company confirmed that there are no material related party transactions entered into by the Company and the Group.

**18. MATERIAL RELATED PARTY TRANSACTIONS** *(Continued)*

**(iii) Key management compensation:**

The remunerations of the directors of the Company and other members of key management of the Group during the period are as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Short-term benefits | **4,195** | 3,307 |
| Post-employment benefits | **49** | 45 |
| | **4,244** | 3,352 |

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

**19. APPROVAL OF THE FINANCIAL STATEMENTS**

These unaudited condensed consolidated financial statements were approved and authorised for issue by the board of directors on 22 August 2017.

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