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

ANNUAL REPORT 2017

ANNUAL 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

Unit 4408, 44/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

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.greatimeintl.com

FINANCIAL HIGHLIGHTS

KEY FINANCIAL INFORMATION FOR THE LAST FIVE YEARS

	For the year ended 31 December/As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Key Financial Information					
Revenue	**314,119**	334,297	389,317	453,476	543,788
Gross profit	**47,892**	62,841	75,179	111,497	121,782
(Loss) profit before tax	**(29,757)**	(8,119)	(1,915)	41,527	44,358
(Loss) profit for the year	**(30,429)**	(12,539)	(6,954)	25,671	24,375
Total comprehensive (expense) income for the year	**(34,132)**	(9,546)	(7,461)	25,666	22,994
Non-current assets	**209,502**	212,396	226,787	237,183	218,868
Current assets	**259,880**	219,196	258,097	216,206	186,477
Current liabilities	**154,086**	139,915	183,698	183,353	155,977
Net current assets (liabilities)	**105,794**	79,281	74,399	32,853	30,500
Total assets	**469,382**	431,592	484,884	453,389	405,345
Total assets less current liabilities	**315,296**	291,677	301,186	270,036	249,368
Total equity	**314,759**	291,068	300,614	270,036	244,370
Cash and cash equivalents	**160,868**	109,876	76,175	51,925	30,949
Key Financial Ratios					
Gross profit margin	**15.2%**	18.8%	19.3%	24.6%	22.4%
Net profit margin	**–**	–	–	5.7%	4.5%
Gearing ratio(1)	**17.5**	20.4%	20.1%	19.5%	18.0%
Current ratio	**1.7**	1.6	1.4	1.2	1.2
Trade receivables turnover days	**52**	71	76	61	45
Inventory turnover days	**60**	69	66	63	48

Note:

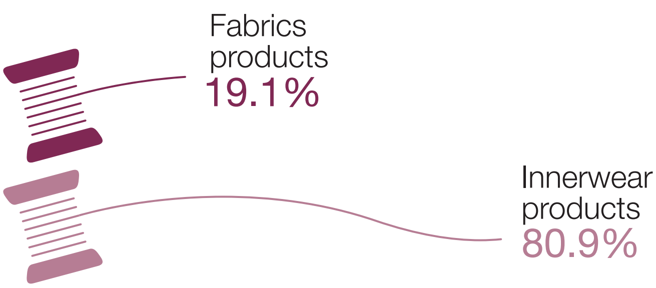
1 Gearing ratio represents the ratio between total borrowings and total assets.

FINANCIAL HIGHLIGHTS

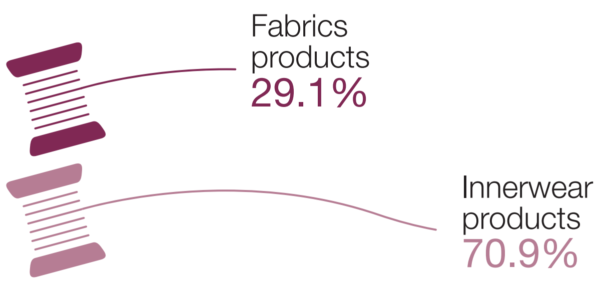
REVENUE OF THE GROUP ANALYSED BY PRODUCT CATEGORIES

	For the year ended 31 December			
	2017		2016	
	RMB'000		RMB'000	
Revenue of the Group by products				
Fabrics products	**60,110**	**19.1%**	97,282	29.1%
Innerwear products	**254,009**	**80.9%**	237,015	70.9%
Total	**314,119**	**100%**	334,297	100%

2017



2016

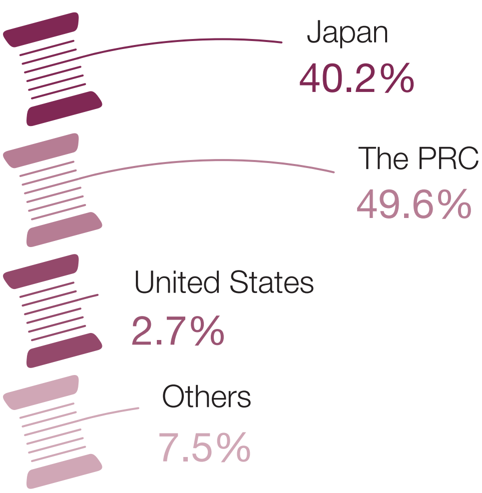


FINANCIAL HIGHLIGHTS

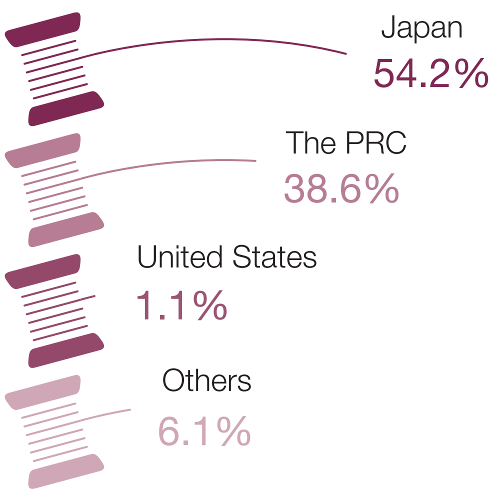
REVENUE OF THE GROUP ANALYSED BY REGIONAL DISTRIBUTION

	For the year ended 31 December			
	2017		2016	
	RMB'000		RMB'000	
Revenue of the Group by regional distribution				
Japan	**126,262**	**40.2%**	181,254	54.2%
The PRC	**155,756**	**49.6%**	129,004	38.6%
United States	**8,402**	**2.7%**	3,553	1.1%
Others	**23,699**	**7.5%**	20,486	6.1%
Total	**314,119**	**100%**	334,297	100%

2017



2016



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Greatime International Holdings Limited (the "**Company**", hereinafter together with its subsidiaries referred to as the "**Group**"), I would like to present to all shareholders the audited consolidated results of the Group for the year ended 31 December 2017 (the "**Year under Review**").

The Group was officially renamed to "Greatime International Holdings Limited" on 26 June 2017, opening a new chapter in the history of the Group's development. This also implies that the Group will pursue a more diversified business portfolio to balance business risks and broaden sources of revenue. Looking back at the past year, the Group recorded a turnover of approximately RMB314 million, representing a decrease of approximately 6.0% as compared with that of 2016. The loss attributable to shareholders of the Group also increased to approximately RMB30.4 million. Gross profit decreased by approximately 23.8% to approximately RMB47.9 million. Gross profit margin slightly decreased to approximately 15.2%. The turnover of knitted fabrics and innerwear products were RMB60.1 million and RMB254.0 million respectively.

In 2017, the global economy stayed on the track to recovery. Inflation was generally mild and the economy continued to expand. Supported by a sharp increase in exports and construction and consumer spending, China's economy recorded a growth rate of 6.9%, which was slightly higher than that of 6.7% in 2016, reversing the trend of gradual slowdown since 2011 and achieving accelerated growth for the first time in seven years. To sum up, in 2017, the Chinese textile industry as a whole headed steadily in a good direction. However, the Chinese government issued stricter environmental requirements, and hence, a large number of factories cut or suspended production. At the same time, a wave of rectification and pollution control swept the entire textile industry which slowed down production growth. In 2017, the industrial added value of textile enterprises above designated size increased by 4.8% year-on-year, which was lower than that of 2016 by 0.1 percentage point. Nevertheless, the industry's exports stabilized and picked up. In 2017, the total value of China's textile and apparel exports reached US$275.504 billion, representing an increase of 1.62% year-on-year and a rebound of 8.84 percentage points from the same period of last year. However, faced with rising raw material prices in addition to the anti-dumping investigation and the Section 301 investigations against China initiated by the U.S. government and the threats brought about by the U.S.'s tax reforms and trade protection policies, the outlook for the industry remains challenging.

CHAIRMAN'S STATEMENT

Since 2017, global economic growth has been gaining momentum. The recovery of the world economy seems to be quite comprehensive, characterized by growth across investment, trade and consumption, and an improvement in consumer and business confidence. However, the Group believes that there are extremely high uncertainties in the macroeconomic policies of major political powers such as Europe and the United States. Even though textile products are goods with rigid demand, a severe business environment may still lie ahead. In face of an evolving market, the Group has been keeping a prudent eye on the trends and actively making adjustment to the production capacity of its factories in various regions. In response to the "Belt and Road" Initiative of the Chinese government, the Group has been looking for investment opportunities in areas along the route. The sales revenue of Win Glory Manufacturing Company Limited ("**Win Glory**"), a company wholly owned by the Group in Myanmar, remained stable, contributing as much as approximately RMB16.2 million of the total revenue of the Group during the Year under Review. During the Year under Review, the Group paid 30 years' rent for another piece of land in Myanmar to further expand its garment business. The Group is of the view that Myanmar, being the seventh largest economy in the 10-nation ASEAN and one of the members of the ASEAN-China Free Trade Area, has great potential for development. Coupled with the strong support from the government of Myanmar, Myanmar's textile and apparel industry is expected to see significant growth in the near future. The Group is confident that the rising business proportion in Myanmar will become an important cornerstone for the Group's long-term and sustainable profitability.

Looking into the future, the Group, being continuously a cultivator in the traditional industry, will continue to perform our social responsibility and execute existing business development strategy. We will also ride on the trend in actively developing business with investment value other than the textile and garment business with the aim of maintaining the Group's capabilities for sustainable development so as to balance business risks and increase income.

On behalf of the Board, I hereby express my heartfelt thanks to the staff of the Group for their efforts and contributions, and to all shareholders, investors and all customers for their tremendous support. We'll make unremitted efforts to promote the Group's business growth and to create reasonable values for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2017, driven by slow recovery of global economy and China's steady growth policy, China's textile industry has continued to stabilise. According to the latest statistics from the Chinese General Administration of Customs, the total amount of textile clothing exports in the country in 2017 was USD266.95 billion, with a year-on-year increase of 1.53%, turning around the situation of decline for two consecutive years. The external demand market is recovering significantly. In line with the Chinese government's vigorous advocacy of the "Belt and Road" initiative, the production and trade of textile products along the belt was being actively promoted, and in the export market structure, the proportion of export to the "Belt and Road" initiative countries and regions is as high as 33.36%. In terms of the domestic market, China's economy achieved stable development, and consumption upgrade continues to drive the demand for textile. But in recent years, China's textile industry was subject to increasingly stringent environmental protection laws, which has created much pressure on enterprises engaged in dyeing and finishing in this industry. Faced with various restrictions on operation or shutdown requirements, small and medium-sized spinning and weaving enterprises are confronting severe operation conditions, which has adversely affected the industry sentiment.

BUSINESS REVIEW

On 26 June 2017, the Company announced that its English name changed from"Grand Concord International Holdings Limited" to" Greatime International Holdings Limited", with the Chinese name changed from "廣豪國際控股有限公司" to "廣泰國際控股有限公司". And the changes have been effective since 31 May 2017, marking the pursuit of the Group of a more diversified business portfolio, which will broaden its sources of income while reducing its current business risks.

As a leading manufacturer in the vertical integration of functional fabric and underwear products, with products sold to many well-known brands all over the world, the Group supplies underwear to a number of major international clothing brands on an OEM basis and has established production plants in China and Myanmar. During the Year under Review, the Group's recorded revenue decreased by 6.0% to about RMB314.1 million (2016: RMB334.3 million), resulting in a loss of about RMB30.4 million (losses in the same period of 2016: RMB12.5 million). The increase in total losses was mainly attributable to the fall in gross margin of approximately RMB 14.9 million.

Currently, Europe, the United States and Japan are the world's major consumer markets for textile, and their demand is relatively stable. During the Year under Review, the Group continued to export garments to these major markets, with an income of RMB158.4 million, accounting for 50.4% of the Group's annual gross income. The Group is expanding into new markets for quality fabrics and underwear products, and has launched business development initiatives that include seeking more strategic partnerships with customers in ASEAN regions to maintain sound growth and a reasonable gross margin.

In order to be more flexible in response to market changes, the Group has been flexibly adjusting the production capacity of regional factories and to stay in line with the country's "Belt and Road" initiative, the Group started to identify more suitable investment opportunities in the area few years ago. During the year, sales of Win Glory in Myanmar remained stable, contributing approximately RMB16.2 million to the Group's total revenue. The "Belt and Road" initiative will bring enormous opportunities for the regions along the belt, and the Group has recently paid 30 years of rent for another land in Myanmar to further expand its garment business. With Myanmar's further economic openness and strong policy support from its government, Myanmar's commercial potential is expected to be released soon, and the country's textile and apparel industry is expected to be further boosted by the increasingly frequent trade and business activities. The Group is confident that Myanmar's business will continue to make the desired revenue contribution and become the cornerstone for the Group's long-term business.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by knitted fabrics and innerwear products and as a percentage of the Group's total revenue for the year ended 31 December 2017, with corresponding comparative figures for the year ended 31 December 2016:

	Year ended 31 December			
	2017	**2017**	2016	2016
	RMB'000	**%**	RMB'000	%
Knitted fabrics	**60,110**	**19.1**	97,282	29.1
Innerwear products	**254,009**	**80.9**	237,015	70.9
Total	**314,119**	**100.0**	334,297	100.0

For the year ended 31 December 2017, the Group recorded a revenue of approximately RMB314.1 million (2016: RMB334.3 million), representing a decrease of approximately RMB20.2 million, or approximately 6.0%. The sales volume of knitted fabrics and innerwear products for the year ended 31 December 2017 were approximately 2,146 tons and 18.1 million pieces respectively (2016: approximately 2,370 tons and 16.3 million pieces respectively). The decrease of revenue was mainly due to the decrease in sales of knitted fabrics products from approximately RMB97.3 million in 2016 to approximately RMB60.1 million in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales of knitted fabrics amounted to approximately RMB60.1 million (2016: RMB97.3 million) representing approximately 19.1% (2016: 29.1%) of the total revenue for the year ended 31 December 2017. The decrease in sales of knitted fabrics was mainly due to the slowdown in economic growth in China. The sales volume of knitted fabrics decreased by approximately 9.5% to approximately 2,146 tons for the year ended 31 December 2017 (2016: 2,370 tons). The knitted fabrics were mainly distributed to branded customers in China. Facing a sluggish economic environment, customers tend to order general fabrics instead of fictional fabrics. For the year ended 31 December 2017, the Group took up more sub-contracting orders on fabrics dying and printing to better utilise the production capacity of knitted fabrics sector. As the average unit selling price of general fabrics products and sub-contracting income is lower than that of functional fabrics products, the overall revenue contributed by knitted fabrics decreased by RMB37.2 million to RMB60.1 million for the year ended 31 December 2017.

Sales of innerwear products amounted to approximately RMB254.0 million (2016: RMB237.0 million), representing approximately 80.9% (2016: 70.9%) of the total revenue for the year ended 31 December 2017. The performance of innerwear products was relatively steadier. An increase in sales of innerwear products in the amount of approximately RMB17.0 million was recorded for the year ended 31 December 2017. The sales volume of innerwear products increased from approximately 16.3 million pieces for the year ended 31 December 2016 to approximately 18.1 million pieces for the year ended 31 December 2017, representing an increase by 11%. The increase was mainly due to the increase in sales to certain PRC and Japanese customers in 2017. The average unit selling price of innerwear products decreased by 3.5% from RMB14.5 per piece in 2016 to approximately RMB14.0 per piece in 2017. The decrease in unit selling price helped the Group to obtain more orders from various customers in 2017, which resulted an increase in sales of innerwear products for the year ended 31 December 2017.

Cost of sales

Cost of sales decreased by approximately 1.9% from approximately RMB271.5 million for the year ended 31 December 2016 to approximately RMB266.2 million for the year ended 31 December 2017. The average unit production costs of innerwear products of the Group for the year ended 31 December 2017 increased when compared to the unit production cost in the same period in 2016. The decrease in the overall cost of sales was mainly due to the decrease in cost of sales of knitted fabrics products from RMB89.5 million for the year ended 31 December 2016 to RMB58.7 million for the year ended 31 December 2017.

Gross profit and gross profit margin

Gross profit decreased by approximately RMB14.9 million, or approximately 23.8%, from approximately RMB62.8 million for the year ended 31 December 2016 to approximately RMB47.9 million for the year ended 31 December 2017. The Group's gross profit margin decreased from approximately 18.8% for the year ended 31 December 2016 to approximately 15.2% for the year ended 31 December 2017 mainly due to the decrease in the average unit selling price and increase in average unit production cost of the Group's innerwear products, which represented 80.9% of the overall sales of the Group.

The Group's gross profit and gross profit margins by products for the year ended 31 December 2017, with corresponding comparative figures for the year ended 31 December 2016, are as follows:

	Year ended 31 December			
	2017 Gross profit RMB'000	**2017 Gross profit margins %**	2016 Gross profit RMB'000	2016 Gross profit margins %
Knitted fabrics	**1,439**	**2.4**	8,119	8.1
Innerwear products	**46,453**	**18.3**	54,722	23.1
Total	**47,892**	**15.2**	62,841	18.8

Other income and other gains

Other income and other gains amounted to approximately RMB4.4 million (2016: RMB3.3 million) for the year ended 31 December 2017 which were mainly exchange gain, interest income and sales of scarp materials. The increase in other income and other gains was mainly due to the increase in sales of scarp materials. For the year ended 31 December 2017, sales of scarp material of RMB2.7 million was recorded. For the year ended 31 December 2016, the sales of scarp material amounted to RMB0.9 million. The sales of scarp material represented the sales of remaining raw materials and miscellaneous items of the finished contracts. The scarp material was carrying a minimal cost as the original cost has been absorbed in the cost of production upon completion of the contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB1.0 million to approximately RMB9.9 million (2016: RMB8.9 million) for the year ended 31 December 2017. Selling expenses mainly represented the transportation expenses, salaries and commission to the sales staff. The increase in selling expenses was mainly due to the increase in salaries to the sales staff in 2017.

Administrative expenses

Administrative expenses increased to approximately RMB68.6 million (2016: RMB60.7 million) for the year ended 31 December 2017. The increase in the administrative expenses was mainly due to the increase in the salaries and staff benefits, which included salaries, social welfare and pension expenses and the increase of impairment of trade and bills receivables. Staff salaries and benefits increased from RMB20.8 million for the year ended 31 December 2016 to RMB26.6 million for the year ended 31 December 2017. Such increase was mainly due to the increase in salaries to management personnel during the fourth quarter of 2016 to better manage the subsidiaries of the Group. There was an impairment of RMB1.5 million on trade and bills receivables from a customer for the year ended 31 December 2017 (2016: Nil). The individually impaired trade receivables with an aggregate balances of approximately RMB1.5 million due to long outstanding and unsatisfactory repayment record.

Finance costs

Finance costs decreased to approximately RMB3.5 million (2016: RMB4.7 million) for the year ended 31 December 2017, primarily due to the decrease in average bank borrowing during the year ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss before tax

The Group's loss before tax was approximately RMB29.8 million (2016: RMB8.1 million) for the year ended 31 December 2017 primarily due to the decrease in revenue, gross profit and increase in administrative expenses. The gross profit of fabrics products and innerwear products decreased from RMB8.1 million and RMB54.7 million, respectively for the year ended 31 December 2016 to RMB1.4 million and RMB46.5 million, respectively for the year ended 31 December 2017. The administrative expenses increased by RMB7.8 million to RMB68.5 million for the year ended 31 December 2017 (2016: RMB60.7 million).

Income tax expense

Income tax expense decreased to approximately RMB0.7 million (2016: RMB4.4 million) for the year ended 31 December 2017. The Group's effective tax rate for the year ended 31 December 2017 was approximately negative 2.4%, as compared to approximately negative 54.4% for the year in 2016.

Loss for the year and loss margin

The Group's loss for the year increased by approximately RMB17.9 million, from approximately a loss of RMB12.5 million for the year ended 31 December 2016, to a loss of approximately RMB30.4 million for the year ended 31 December 2017. The increase in the loss was mainly due to the decrease in gross profit of approximately RMB14.9 million for the year ended 31 December 2017 as mentioned in the above paragraphs.

Inventories

The inventory balances decreased to approximately RMB43.5 million as at 31 December 2017 (2016: RMB44.5 million).

The average inventory turnover days decreased to approximately 60 days (2016: 69 days) for the year ended 31 December 2017.

Trade and bills receivables

Trade receivables decreased to approximately RMB42.0 million (2016: RMB48.3 million) as at 31 December 2017.

The average trade receivables turnover days decreased to approximately 52 days (2016: 71 days) for the year ended 31 December 2017 as the proportion of the sales to domestic customers, to whom we usually granted longer credit terms, decreased. The trade receivables turnover days still fell within the credit terms granted to the customers of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and bills payables

Trade and bills payables decreased to approximately RMB45.3 million (2016: RMB31.9 million) as at 31 December 2017. The average turnover days for trade payables decreased slightly to approximately 53 days (2016: 63 days) for the year ended 31 December 2017 which were in line with the trade credit periods given by the suppliers of the Group.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sale of its products and bank borrowings. As at 31 December 2017, the Group's current ratio (calculated as current assets divided by current liabilities) was 1.69 (as at 31 December 2016: 1.57). As at 31 December 2017, the Group had cash and cash equivalents of approximately RMB160.9 million (as at 31 December 2016: RMB109.9 million) and short-term bank loans of approximately RMB82.0 million (as at 31 December 2016: RMB88.0 million). As at 31 December 2017, the Group's gearing ratio (calculated as total debts as at year end divided by total assets for the year x 100%, while debts are defined to include current and non-current interest-bearing borrowings) measured on the basis of total bank loans was approximately 17.5%, as compared to approximately 20.4% as at 31 December 2016.

As at 31 December 2017, the Group had fixed rate bank loans of RMB40.0 million (2016: RMB40.0 million) and variable rate bank loans of approximately RMB42.0 million (2016: RMB48.0 million). The effective interest rate on the Group's fixed rate bank borrowings ranged from 4.99% to 5.03%, and the effective interest rate for the Group's variable rate bank borrowings was 4.95% per annum as at 31 December 2017 (2016: fixed rate: 5.00% to 5.05%; variable rates: 4.57% to 6.18% per annum). During the Year under Review, there was no material change to the Group's funding and treasury policy.

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

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

Interest rate and foreign currency exposure

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

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

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

Contingent liabilities

As at 31 December 2017, the Group had no material contingent liabilities.

Charges on group assets

As at 31 December 2017, the Group's bank loans were secured by the Group's machinery, buildings and land use rights of carrying amounts of approximately RMB6.8 million, RMB66.3 million and RMB11.5 million, respectively (as at 31 December 2016: RMB8.5 million, RMB84.0 million and RMB11.8 million, respectively). As at 31 December 2017, the Group also pledged its bank deposits of approximately RMB1.5 million (as at 31 December 2016: RMB3.2 million) to secure short-term bills payables.

HUMAN RESOURCES

As at 31 December 2017, the Group employed approximately 2,300 employees. The total staff costs (excluding directors' and key managements' emoluments) of the Group for the year ended 31 December 2017 were approximately RMB87.7 million (31 December 2016: RMB89.7 million). Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group conducts periodic reviews for the employees and their salaries and bonuses are performance related. The Group has neither experienced any significant problems with its employees or disruptions to its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced employees. The Group maintains a good relationship with its employees.

FINAL DIVIDEND

No payment of a final dividend for the year ended 31 December 2017 was recommended by the Board (2016: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

No material acquisitions and disposals by the Group were noted during the year ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

Looking ahead to 2018, the world economy is expected to keep growing, but the increase in trade protectionism and the acceleration of austerity in the United State. will bring uncertainty to economic growth. China's economy is expected to maintain its steady growth. With the further promotion and implementation of the "Belt and Road" initiative, the trade market will present new opportunities, and China's textile industry will face more market potential and broader demand prospects, is expected to maintain a stable growth as a whole. However, fluctuations in cotton prices, and rising production costs, increased energy costs, stricter environmental laws and fierce international competition and other adverse factors still exist, which will add uncertainties to the development of the industry.

In the face of challenges and opportunities under the new situation, the Group will continue to enhance its competitive edge by continuous management innovation, reducing cost and improving efficiency, enhancing product mix and customer base. At the same time, the Group has been actively identifying and expanding investment-worthy businesses to broaden revenue sources and balance operational risks. The Group is confident that by virtue of its industry status, good brand image, high-quality products, rich management and operating experience, it is able to fully seize the market opportunities to achieve sustainable development and bring more ideal returns for shareholders.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. WANG Bin, aged 53, is a representative of the Twelfth National People's Congress of the PRC, a doctoral supervisor and a part-time professor at the Southwestern University of Finance and Economics, as well as a PRC certified public accountant. He received his doctorate degree in economics from Southwestern University of Finance and Economics in June 2003. Mr. Wang Bin had assumed different positions in government authority and state-owned enterprise including the deputy director of State-owned Assets Supervision and Administration Commission of the State Council of Sichuan Province in the PRC and the chairman of Sichuan Development Holdings Co., Ltd.* (四川發展（控股）有限責任公司). Mr. Wang Bin has been serving as the vice chairman of Hainan Haide Industry Co., Ltd (海南海德實業股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000567), since October 2015 and served as general manager concurrently from October 2015 to September 2016.

Mr. Wang has entered into a service agreement with the Company under which he acts as an executive director of the Company for a period of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such service agreement, Mr. Wang will receive from the Company a director's fee of HK$1,200,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and his duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this announcement, there is no other benefit provided to Mr. Wang for his directorship in the Company.

Ms. TIAN Ying, aged 53, is a senior accountant. She graduated from Dongbei University of Finance and Economics in July 1988 with a bachelor's degree in statistics. She graduated from Hong Kong Baptist University in November 2012 with a master's degree in accounting and finance. In March 2015 she was appointed as the chairlady at Huaxing Power Co., Ltd.* (華興電力股份公司). Before that, Ms. Tian had worked in Beijing Sanjili Energy Co., Ltd. (北京三吉利能源股份有限公司) for more than 15 years and had served in various positions, including its chief accountant and deputy general manager.

Ms. Tian has entered into a service agreement with the Company under which she acts as an executive director of the Company for a period of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such service agreement, Ms. Tian will receive from the Company a director's fee of HK$1,200,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and her duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this announcement, there is no other benefit provided to Ms. Tian for her directorship in the Company.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LAM Tet Foo, aged 61, graduated from the National University of Singapore in June 1982 with a bachelor's degree of civil engineering, and from the University of South Australia in October 1995 with a master's degree in business administration. From 2005 to 2008, he held the position of general manager cum company director in PT Belaputera Intiland. Between 2008 and 2010, he served as the general manager of Shanghai Unifront Hotel & Property Management Co., Ltd.* (上海優孚酒店管理有限公司). From 2010 to 2011, Mr. Lam Tet Foo was a project director in Altus Construction Consultancy (Shanghai) Limited (艾達時建築諮詢（上海）有限公司). Mr. Lam Tet Foo also served as the general manager of the project management department of Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. (中新天津生態城投資開發有限公司) from 2011 to 2014. Between April and November 2015, he served as the deputy general manager at Huaying Petrochemical Co., Ltd.* (華瀛石油化工有限公司), and since December 2015 he has been serving as the vice president of Wintime Holding.

Mr. Lam has entered into a service agreement with the Company under which he acts as an executive director of the Company for a period of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such service agreement, Mr. Lam will receive from the Company a director's fee of HK$1,000,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and his duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this announcement, there is no other benefit provided to Mr. Lam for his directorship in the Company.

NON-EXECUTIVE DIRECTORS

Mr. ZHANG Yanlin, aged 49, graduated from Zhongnan University of Finance and Economics in July 1990 with a bachelor's degree in economics. He served as the general manager of Shenzhen Hua Sheng Investment Development Co., Ltd. (深圳華晟投資發展有限公司) from July 2002 to October 2004. From August 2002 to November 2004, he held the position of supervisor at MyHome Real Estate Development Group Co., Ltd. (美好置業集團股份有限公司) (previously known as Celebrities Real Estate Development Group Co., Ltd. (名流置業集團股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000667). From November 2004 to June 2008, Mr. Zhang Yanlin had worked as the director and general manager of Nanjing Xinsu Property Co., Ltd.* (南京新蘇置業有限公司), the director of the office of the board of directors at Wintime Investment Holding Co., Ltd.* (永泰投資控股有限公司), and the director, deputy general manager and representative chairman of Xuzhou Wintime Real Estate Development Co., Ltd.* (徐州永泰房地產開發有限公司). Since November 2015, he has been serving as the assistant of the chairman and general manager of the corporate governance department of Wintime Holding. Since 10 August 2016, he has been serving as the chairman and general manager of Shenzhen Wintime Finance Lease Co., Ltd.* (深圳市永泰融資租賃有限公司). Since 17 September 2016, he has been serving as a director and general manager of Wintime Technology Investment Co., Ltd.* (永泰科技投資有限公司).

Mr. Zhang has entered into a service agreement with the Company under which he acts as a non-executive director of the Company for a period of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such service agreement, Mr. Zhang will receive from the Company a director's fee of HK$200,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and his duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this announcement, there is no other benefit provided to Mr. Zhang for his directorship in the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. XU Dunkai, aged 66, is currently the president of the Alumni Association of Zhongnan University of Economics and Law. He was previously the vice chairman of Higher Financial & Economic Education Branch of China Higher Education Association, and the legal representative of the Education Development Foundation of Zhongnan University of Economics and Law. He graduated from Hubei Institute of Finance and Economics in January 1982 with a bachelor's degree in philosophy. He completed the main courses of master of science in economics in Wuhan University from September 1984 to July 1985. He is the Author of "The History of Enterprise Management Thought in the Period of the Republic of China" (《民國時期企業經營管理思想史》). He organized the compilation of the dictionary of "Financial Dictionary (Second Edition)" (《財經大辭典》(第二版)). He has also led a national social science foundation research project.

Mr. Xu was appointed by way of a letter of appointment for a period of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such letter of appointment, Mr. Xu will receive from the Company a director's fee of HK$150,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and his duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this announcement, there is no other benefit provided to Mr. Xu for his directorship in the Company.

Ms. FENG Xin, aged 36, has more than 10 years of experience in the field of financial services, investment and financial management, including experience in investment banking, private equity investment, and financial auditing. She holds a bachelor's degree in accounting from Xiamen University and Master of Business Administration from Ross School of Business at the University of Michigan. Ms. Feng Xin had previously worked as the senior auditor of Deloitte Huayong Certified Public Accountants (Shenzhen branch) and was the vice president in the investment banking department of China International Capital Corporation (中國國際金融股份有限公司). She had also held the role as the general manager of Guo Kai Jin Tai Capital Co. Ltd.* (國開金泰資本投資有限責任公司). She is currently a managing director of Sequoia Capital China (紅杉資本中國基金).

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Feng was appointed by way of a letter of appointment for a period of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such letter of appointment, Ms. Feng will receive from the Company a director's fee of HK$150,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and her duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this announcement, there is no other benefit provided to Ms. Feng for her directorship in the Company.

Mr. HU Quansen, aged 50, is a senior accountant and a PRC certified public accountant. He received a bachelor's degree in economics from Zhongnan University of Economics in July 1990 and a master's degree in finance from Zhongnan University of Economics and Law in December 2005. He served as the manager of audit division of Wuhan International Trust & Investment Co., Ltd.* (武漢國際信托投資公司) between May 2004 and October 2010. He also served as the general manager of the audit division of Guotong Trust Co., Ltd.* (國通信托有限責任公司) (previously known as Founder Bea Trust Co., Ltd.* (方正東亞信托有限責任公司)) from October 2010 to March 2015, and has been serving as the general manager of the trust asset management division of the same company since March 2015.

Mr. Hu was appointed by way of a letter of appointment for a period of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such letter of appointment, Mr. Hu will receive from the Company a director's fee of HK$150,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and his duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this announcement, there is no other benefit provided to Mr. Hu for his directorship in the Company.

SENIOR MANAGEMENT

Mr. LEE Yin Sing (李彥昇), aged 37, is the chief financial officer and company secretary of the Company (the "Company Secretary"). Mr. Lee is responsible for overseeing the Group's financial planning and management. Mr. Lee has over 11 years of experience in finance control and accounting through his prior employments. He acquired auditing experience through his prior employment with an audit firm of international repute from 2002 to 2007. He was appointed as an independent non-executive director of Lumina Group Limited, a company listed on the GEM Board (stock code: 8470), in September 2017. Prior to joining the Group as its chief financial officer in August 2010, he worked as the financial manager of Proview International Holdings Limited, a company listed on the Stock Exchange (stock code: 334), in 2009 during which he acquired experience in finance control, accounting and company secretarial matters. Mr. Lee graduated from the City University of Hong Kong in 2002 with a bachelor's degree in accounting. He has been a member of the Hong Kong Institute of Certified Public Accountants since 2008.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WANG Shao Hua (王韶華), aged 50, is an executive Director. Mr. Wang has over 23 years of experience in the knitting industry. He has been the general manager of Zhucheng Eternal Knitting Company Limited since May 2004 and was also appointed as its director in December 2009.

Mr. Wang graduated from Shandong Textile Industry School (山東省紡織工業學校) and obtained his junior college degree in textile (針織專業大學專科) in July 1987. He completed the part-time course in Shandong Provincial Party School of the Communist Party of China (中共山東省委黨校) during September 1993 to June 1996 in economic management and obtained his certificate.

He has also been a director of Zhucheng Yumin Knitting Company Limited since November 2004 and a director of Shandong Grand Concord Garment Company Limited since its establishment.

Mr. LIU Xin De (劉心德), aged 51, is a director of Zhucheng Eternal Knitting Company Limited and Zhucheng Yumin Knitting Company Limited. Mr. Liu is responsible for product management and equipment administration of Zhucheng Yumin Knitting Company Limited. He joined Zhucheng Eternal Knitting Company Limited in March 2001 as merchandiser and was promoted as an office manager in June 2003. Mr. Liu obtained his bachelor's degree in national economic management from Shandong University (山東大學) in July 1989.

Ms. JI Tai Mei (季太梅), aged 48, is the deputy general manager in charge of product management of Zhucheng Eternal Knitting Company Limited. Prior to her appointment as the deputy general manager in April 2010, she served as the head of product planning department and concurrently as the assistant of general manager of Zhucheng Eternal Knitting Company Limited from June 2004 until April 2010. Prior to joining the Group, she worked for Shandong Lanfeng Knitting Group Co. Ltd. (山東蘭鳳針織集團) from September 1989 to May 2004 and assumed the position of manager of the garment workshop from July 1999. Ms. Ji obtained her junior college degree in accounting from Shandong TV University (山東廣播電視大學) in July 1994.

Ms. ZHOU Li (周麗), aged 45, is the deputy general manager of Zhucheng Eternal Knitting Company Limited. Prior to her appointment as the deputy general manager in April 2010, she served as the sales manager of Zhucheng Eternal Knitting Company Limited since December 2005 and was also appointed as assistant of general manager of Zhucheng Eternal Knitting Company Limited on 15 August 2007. Before her engagement with the Group, she worked for Shandong Lanfeng Knitting Group Co. Ltd. (山東蘭鳳針織集團) from August 1992 to October 2005 and was the deputy general manager of import and export department before she left the same. Ms. Zhou graduated from Shandong Textile Industry School (山東省紡織工業學校) and obtained her degree of secondary vocational school diploma in textile on July 1992. She also obtained junior college degree in economic management (經濟管理大學專科) after completing the 3-year distance learning course from Shandong Cadres Correspondence College (山東省幹部函授大學) in June 1996.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENTS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This Environmental, Social and Governance ("**ESG**") Report (this "**Report**") serves as a review on the efforts and achievements made by Greatime International Holdings Limited and its subsidiaries (the "**Company**" together with its subsidiaries as the "**Group**") for its sustainability issues in 2017. This Report discloses the Group's policies and practices for its commitment to sustainable development. As a platform for communication with all stakeholders, this Report also makes responses to the major expectations of all stakeholders in efforts to facilitate mutual understandings. This Report is to be read in conjunction with the Company's 2017 Annual Report, in particular the Corporate Governance Report contained therein.

REPORTING BOUNDARY

This Report covers the material sustainability issues in operation, correlated efforts and activities, which the Company has control on. This Report covers the period from 1 January 2017 to 31 December 2017 (the "**Reporting Period**"). The entities covered in this Report mainly include the subsidiaries in Hong Kong, the People's Republic of China ("**PRC**") and the Republic of the Union of Myanmar ("**Myanmar**").

Only key performance indicators ("**KPIs**") in 2017 for the activities in the PRC and Myanmar are considered as material by the Group. The Group's major environmental impacts are generated during the production activities in the PRC and Myanmar, as well as the social impacts. The Group will continue to optimize and improve the disclosure of KPIs to provide comprehensive results of its operation.

PREPARATION BASIS

This Report is prepared in accordance with the ESG Reporting Guide under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

There are changes in the calculation references of KPI A1.1 and A1.2 for the Group's Report. The corresponding 2016 KPIs are not disclosed in this Report due to significant changes in the calculation references.

PUBLICATION OF THE REPORT

This Report shall be published both in Chinese and English. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

FEEDBACK TO THIS REPORT

The Group welcomes your feedback on this Report for its sustainability initiatives. Please contact us by email to info@greatimeintl.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

The Group identifies government and regulatory authorities, shareholders and investors, employees, customers, distributors, suppliers, peer/industry associations and the community as its major stakeholders, and attaches significance on maintaining communication and interaction with the stakeholders by establishing diversified communication channels.

Through the engagement activities, the Group understands the expectations from the stakeholders and the feedbacks obtained through the channels allows the Group to evolve the strategy of sustainable development. The Group has prepared this Report to respond to the expectations.

Table 1. The channels of communication with the major stakeholders

Stakeholders	Expectations	Channels
Government and Regulatory Authorities	• complying with the laws and regulations • Proper tax payment • Promoting regional economic development and employment • Information disclosure	• On-site inspections • Research and discussion through work conferences, work reports preparation and submission for approval • Consulting • Annual reports • Website
Shareholders and Investors	• Sustainable income and protection of their investments • Information disclosure and transparency • Protection of interests and fair treatment of shareholders	• Annual general meeting and other shareholder meetings • Annual report and other announcements • Newsletters • Meetings with investors and analysis
Employees	• Safeguarding the rights and interests of employees • Decent working environment • Career development opportunities • Self-actualization • Health and safety	• Conferences • Training, seminars and briefing sessions • Cultural and sport activities • Newsletters • Intranet and emails
Customers	• Safe and high-quality products • Stable relationship • Information transparency • Business integrity and ethics	• Website, brochures and annual reports • Email and customer service hotline • Feedback forms • Regular meetings

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Expectations	Channels
Suppliers	• Long-term partnership • Business honesty • Fairness and transparency • Information resource sharing • Risk reduction	• Business meetings, supplier conferences, phone calls and interviews • Regular meetings • Reviews and assessment • Tendering process
Peer/Industry Association	• Experience sharing • Corporations Fair competition	• Industry conferences • Site visits

This Report is divided into two major sections to respond the environmental and social expectations by reporting the corresponding achievements during the Reporting Period. The Group keeps communicating with its stakeholders to obtain more feedbacks for continual improvement of the ESG performance.

ENVIRONMENT

The Group is committed to fulfilling its environmental responsibilities and reducing the potential environmental impacts of its operation as far as practicable. The Group's operation, focusing on textile and apparel, involves mainly weaving and knitting, dyeing and finishing, printing, cutting and sewing. The resulting direct emissions are air emission, wastewater discharge, solid waste and noise generation. The direct and indirect greenhouse gas (GHG) emission from fossil fuel burning and purchased electricity is the largest component of the Group's carbon footprint. The Group is aware of the negative impacts of the climate change on the operation. Thus, the Group will ensure that corporate decision-making process involves environmental consideration, and operation activities are conducted in accordance with sound environmental practices.

The Group attaches foremost importance to environmental compliance in each operation location, and maintains gradual progress toward sustainable development. The major environmental policy of the Group is The *Policy on Environmental Operation and Management of Facilities*. The environmental practices are standardized, and the management is enhanced in the factories. The policy was announced to all levels of employees and implemented in all factories. All employees of the Group are responsible for being aware of the environmental and health impacts of their jobs and for continually striving to minimise these impacts as set forth in the policy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

According to the environmental policy, the Group strives to

- Promote and obey the environmental-related laws and regulations in the operation locations
- Fully and reasonably utilize natural resources and energy
- Control and eliminate pollution
- Create a decent working and living environment
- Reduce the ecological and environmental impacts of the Group's economic activities on adjacent areas

The subsidiaries in the PRC obtained the certification of ISO 9001:2015 Quality Management and ISO 14001:2015 Environmental Management in 2017. The Group adopted the ISO values and thus enhanced the corresponding management.

In 2017, none of the non-compliance incidents or infringements in relation to environmental protection that would have a significant impact on the Group were confirmed.

Table 2. The Group's compliance with and implementation of the major environmental laws and regulations during the Reporting Period[1]

The relevant laws and regulations of the PRC
• *Integrated Emission Standard of Air Pollutants (GB16297-1996)*
• *Emission Standard of Air Pollutants for Boiler (Shandong Province) (DB37/2374-2013)*
• *Wastewater Quality Standards for Discharge to Municipal Sewers (CJ343-2010)*
• *Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry (GB4287-2012)*
• *Standard for Pollution Control of for General Industrial Solid Waste Storage and Disposal Sites (GB 18599-2001)*
• *Standard for Pollution Control on Hazardous Waste Storage (GB 18597-2001)*

1 The relevant Myanmar's laws and regulations complied by the Group will be disclosed in the future

The Group is equipped with technically advanced machineries for production. In particular, the weaving machines, dyeing machines, pre-shrinking machines, stentering machines and flat screen and rotary screen printing machines were procured from the manufacturers in Japan, Germany, Italy, Hong Kong and Taiwan. The energy efficiency of the Group is maintained, and the environmental impacts caused by the operation activities are minimized.

The Group's internal audit team is responsible for identifying measures related to ESG matters in order to manage and prevent ESG risks. The Group will keep broadening the scope of the green agenda and identifying opportunities for enhancing energy efficiency and adopting newly developed technology to uphold sustainable development, environment-friendly and care attitude in the workplaces.

EMISSIONS

Air Emissions

The Group strives to ensure its air emissions are in strict compliance with the relevant laws and regulations. Fossil fuel burning is the major air emission source during the daily operation. According to the Group's policy – "Exhaust Gas Emission Management", the Group has adopted the following measures to reduce its emissions:

- Air emission control devices must be installed in the boilers
- Regular examination and maintenance are conducted to maintain the conditions of the devices
- The flue gas emitted from the thermal power plant is monitored by automated monitoring systems
- The unwanted cotton dust is trapped and collected by installation of filters
- The temperature and humidity in the factories are controlled for dust suppression

In 2017, an advanced electrostatic precipitator was installed to enhance dust collection efficiency in the boiler in the PRC. The installation of continuous emission monitoring system ("**CEMS**") for the emissions from the boiler is in progress.

Air Pollutant[1]	Emission amount	Intensity
Sulphur dioxide (metric tons)	27.44	0.09 metric tons per RMB million revenue
Nitrogen oxide (metric tons)	8.26	0.03 metric tons per RMB million revenue
Particulate matter (PM) (metric tons) (from the coal-fuelled boiler)	152.66	0.49 metric tons per RMB million revenue

1 The emission sources reported include a coal-fuelled boiler and vehicles; currently the emission of the vehicle in Myanmar is not reported due to the lack of certain information

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Greenhouse Gas Emission

The Group recognizes the importance of greenhouse gas ("**GHG**") emission control. Fossil fuel burning and purchased electricity consumption are the major sources of direct GHG emission and indirect GHG emission respectively during the operation of the Group. As responsive measures, the Group reduces the emission by enhancing energy efficiency of its equipment.

The Group encourages our employees to commute by public transport, bicycle and clean vehicle. The priority of usage of vehicle washing and parking facilities in the factories is given to the users of vehicles either adopting cleaner fuels or obtaining from car-sharing.

GHG[1]	Emission amount	Intensity
Scope 1 (metric tons)	18,087.02	58.35 metric tons per RMB million revenue
Scope 2 (metric tons)	9,571.24	30.87 metric tons per RMB million revenue

1 The scope 1 reported includes a coal-fuelled boiler and vehicles; the scope 2 reported includes the electricity consumed in China and Myanmar

Wastewater

The Group operates and maintains its own sewage treatment facilities and is aware of the wastewater generation during dyeing and finishing. In order to ensure the compliance with the relevant laws and regulations, the Group has adopted the following measures:

- Monitoring the level of chemical oxygen demand ("**COD**") in sewage regularly
- Setting up treatment tanks to collect and treat wastewater by a series of biological contact oxidation processes
- Monitoring the wastewater quality indicators at regular intervals

Wastewater quality indicator[1]	Average concentration[2]
COD (mg/L)	83

1 The reporting scope of the indicator includes the dyeing and finishing factory in China; the wastewater generated from dyeing and finishing can have significant impact on the environment

2 The average concentration was obtained from monitoring

Hazardous and Non-Hazardous Wastes

The Group emphasizes the importance of proper treatment of wastes generated from the production. *Administrative Measures for Hazardous Waste Transfer Manifests and Measures for the Administration of Permits to Handle Dangerous Wastes* is strictly complied to ensure the waste transportation and disposal are complied with the relevant laws and regulations in the PRC. Boiler slag, wastewater sludge and domestic wastes are the major solid wastes of the Group. Hazardous wastes are separately stored and recorded in the ledger. Slag and sludge are collected and treated by the government-authorized organizations. Specified personnel are assigned to assure the clearance and disposal of boiler slag. The domestic wastes primarily include food waste and general non-hazardous solid waste produced by staff, which are collected and treated by the local environmental hygiene department.

The scraps, packaging materials, plastics and metals generated during operation are collected and recycled by qualified recycling companies.

Type of waste[1]	Amount	Intensity
Hazardous waste		
Sludge (metric tons)	2.09	0.007 metric tons per RMB million revenue
Non-hazardous waste		
Paper (pieces)[2]	884,500.00	2,853.23 pieces per RMB million revenue

1 The reporting scope includes the operation in China and Myanmar

2 The amount shown in this Report actually is paper usage, instead of paper disposed at landfill, instead of paper disposed at landfill; this is to assume paper used will be disposed at landfill eventually

Noise

The Group realizes that noise from operating machineries has a significant impact to the surrounding environment and its employees. The Group manages the noise issues by implementing physical insulation control and other mitigation measures. Sound insulation devices, sound arresters and mufflers are installed, and trees are planted within the area of the factory to reduce noise pollution. Machineries generating a considerable noise level is prohibited to operate during breaks, noon time and night time, and any extension of operation due to special circumstances must be reported and approved by relevant departments.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

USE OF RESOURCES

The Group is committed to utilizing resources fully and reasonably. The manufacturing of innerwear products and knitted fabrics leads to a considerable demand for electricity and water. The Group purses the strategy of resource-saving which can reduce energy usage and hence operation cost continuously. According to the *Policy on Social Responsibility Management* System, various energy and water conservation practices are implemented to reduce the resource consumption.

Energy Consumption

The Group strictly monitors and controls the energy usage. Following measures have been implemented to enhance the energy management and efficiency:

- Temperature monitored in the premises can support the heating management in the premises
- Setting up rules for staff in the premises. Turing off the lights, for instance, is required if employees leave the premise for more than an hour.
- Attaching notices beside all the electrical devices to remind staff the importance of saving energy
- Replacing old or conventional devices
- Replacing conventional light bulbs by energy-saving light bulbs whenever possible, while energy efficient motors have been installed in the plant.

Type of energy[1]	**Amount**	**Intensity**
Gasoline (L)	48,283.23	155.75 litre per RMB million revenue
Diesel (L)	92,872.20	299.59 litre per RMB million revenue
Coal (metric tons)	8,622.79	27.82 metric tons per RMB million revenue
Electricity (kWh)	11,028,505.00	35,575.82 kWh per RMB million revenue

1 The reporting scope includes the operation in China and Myanmar

Water Consumption

The dyeing and finishing process in the daily operation requires a considerable amount of water among the business activities in the Group. The Group has incorporated the concept of water conservation in daily operation. The Group is pleased with the support from the Water Resource Department of Zhucheng City, where the major operation of the Group is located, to accomplish the water conservation target by the implementation of various measures. The performance appraisal of staff includes the assessment of water conservation. The wastewater generated during dyeing and finishing is collected and transferred to a world-leading water reclamation system. The reclaimed water is further used for various purposes.

Apart from the production premises, landscaped areas in the factories are irrigated by rainwater captured by water-saving fixtures installed in all sinks, lavatories and shower rooms.

The Group's water is sourced from municipal water supply and there is no significant problem of water-sourcing.

Water[1]	**Amount**	**Intensity**
Fresh water consumption (metric tons)	319,866.00	1,031.83 metric tons per million RMB revenue

1 The reporting scope includes the operation in China and Myanmar

Packaging Materials

The Group has no control on packaging materials due to the nature of its business mode. The Group is a contractor to fulfil all criteria stated in the contract with no control on product specification or packaging materials. The packaging materials left are either returned to customers or kept in the factories for other suitable products. The major packaging materials used are paper and plastic.

The Environment and Natural Resources

The Group has adopted a comprehensive procedure – *Contingency Plan for Environmental Pollution Accident* – in order to effectively respond to emergencies within environment and enhance the rescue standard and reaction time. Therefore, possible pollution can be controlled and the impact to the environment and natural resources can be mitigated. In order to identify the potential hazards to the environment, regular environmental impact assessments are conducted.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIETY

The Group considers itself closely linked with the community in the operation locations and takes notice of the needs and pursuance of its stakeholders. The Group focuses on managing its social impacts through compliance practices, engagement activities and community investment.

Employment and Labour Practice

Employment and labour standards

The Group believes that the continual development is closely linked to its employees. The rights of all the employees are protected by the Group's compliance with the relevant laws and regulations and the human resource policies. The standard of staff recruitment, promotion policies, remuneration scale, work hours, rest breaks, holidays, termination of employment, compensation matters and prevention of child labour or forced labour are all clearly stated in the human resource policies of the Group. The Group also works towards a diversified composition of employees with various races, education, work experience, nationalities, knowledge and skills. Moreover, the *Policy on Protection of the Rights of Employee* further protect the rights of employees.

Table 3. The Group's compliance with and implementation of the major labour-related laws and regulations during the Reporting Period

The relevant laws and regulations of the PRC
• *Labour Law of the People's Republic of China*
• *Labour Contract Law of the People's Republic of China*
• *Law of the People's Republic of China on Labor-dispute Mediation and Arbitration*

[1] The relevant Myanmar's laws and regulations complied by the Group will be disclosed in the future

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group strictly complies with the labour-related laws and regulations in the operation locations. The recruitment and employment are conducted in a fair and equal manner. The recruitment process and employment decision focus on the applicants' work experience, technical skills and work performance instead of their age, education, gender, nationality, race, sexual orientation, physical disability and marital status.

The Group absolutely prohibits child labour and forced labour by the compliance with the relevant laws and regulations and the internal policies, such as the *Labour Resource Management Regulation*.

Labour contracts or employment agreements are entered into between the Group and employees, which clearly state the relevant details in order to safeguard mutual interests. The termination of labour contracts and dismissal of employees are carried out in strict compliance with the relevant laws and regulations to fully protect the rights and obligations of both employees and the Group. The Group offers a reasonable overtime payment to employees working after normal working hours if so requires.

During the Reporting Period, the Group did not receive any complaint about unequal employment and there were no cases of illegal child and forced labour that would have a significant impact on the Group.

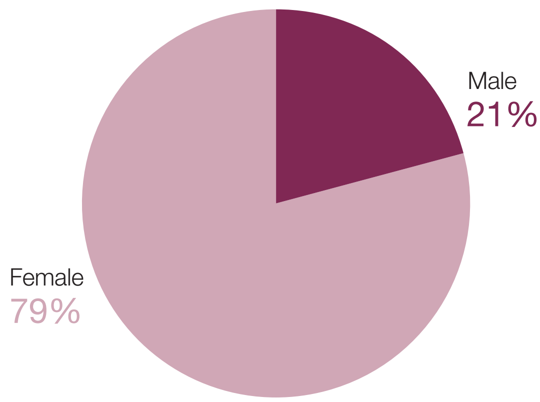
By the adoption of the *Labour Resource Management Regulation*, the Group has set the minimum age requirement for recruitment, which complies with the relevant section in the *Labour Law of the People's Republic of China*. The Group also follows the internal regulation to set up a procedure to receive employees' feedback on all issues including child labour and forced labour. If any cases of non-compliance are reported, an investigation will be carried out to settle the case and prevent the repetition. Also, the Group will consult with the child's guardians on avenues for his or her return to school.

Regarding to the employee promotion, the Group considers and examines the performance and competence of each employee to achieve a fair and positive promotion.

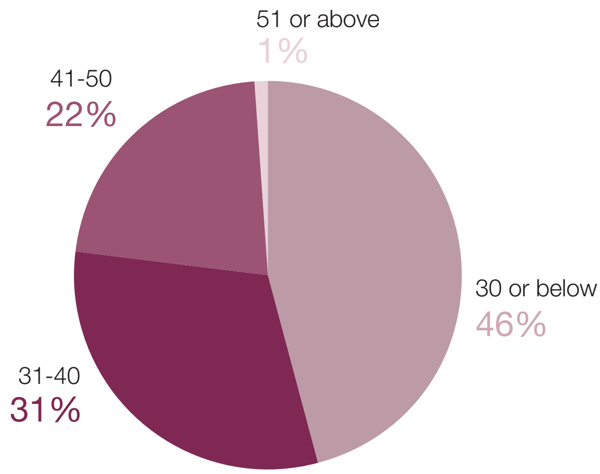
The Group has established a welfare system to its employees. The employees are entitled to the statutory holidays, paid annual leaves, sick leaves, casual leaves etc., in accordance with the relevant regulations and the welfare system. Various benefits to employees such as subsidies on holidays and festivals, home leaves, meals, transportation and residential allowance are provided to employees. The budget for such benefits is planned and reviewed annually. The Group advocates work-life balance culture through a diverse choice of activities such as annual dinners, knowledge competitions, leisure trips, outstanding employee awards, etc. Such activities can enable employees to relax and enhance the communications among employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

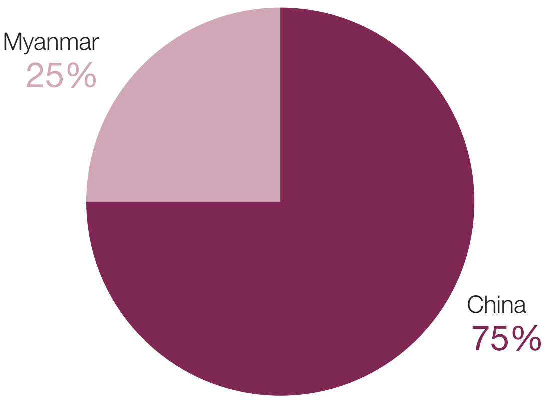
The percentage[1] of the Group's employees by gender, age group and geographical location:



By Gender



By Age Group



By Geographical Location

1 The reporting scope includes the operation in China and Myanmar

The employee turnover rate[1] of the Group by gender, age group and geographical location:

Turnover rate by gender	
Male	14%
Female	19%
Turnover rate by age group	
30 or below	25%
31 – 40	12%
41 – 50	9%
51 or above	15%
Turnover rate by geographical location	
China	12%
Myanmar	31%

1 The reporting scope includes the operation in China and Myanmar

Health and Safety

The Group emphasizes the importance of occupational health and safety. On top of the compliances with the relevant laws and regulations, the human resource policies and procedures are in place with the aim to provide employees with good working conditions and a safe and healthy workplace. The Group believes that building up a healthy, safe and positive working environment can benefit both our employees and operation.

Table 4. The Group's compliance with and implementation of the major laws and regulations relating to occupational health and safety during the Reporting Period

The relevant laws and regulations of the PRC

- *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*
- *Law of the People's Republic of China on Work Safety*

1 The relevant Myanmar's laws and regulations complied by the Group will be disclosed in the future

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The *Regulation Governing the Corporate Labour, Safety and Hygiene Educational Management* was formulated based on the internal policy on employee rights protection. A production safety committee has been thus established for the administration of production safety.

Every new employee can receive a pre-employment health assessment and safety education such as fire safety training (which includes evacuation procedures, use of firefighting equipment, etc.) provided by the Group. Besides, the Group has established safety standards regarding matters such as the usage of safety helmets, the operation of vehicles and the mechanism of reporting the industrial accidents with the aim to enhance the occupational safety and to minimize the possibility of work-related accidents and injuries, as well as occupational illness.

The Group regularly cooperates with customers to conduct safety inspections. The customers are offered the rights by the Group to select the scope of safety inspection. The inspection usually includes safety production procedures, the maintenance of safety equipment, the welfare of employees and the fire safety. The Group has to pass the safety inspection by customers in order to maintain the cooperation relationships with customers. Besides, regular occupational hazards assessments are conducted to identify hazards in the factories and ensure the safety measures are implemented appropriately.

During the Reporting Period, the Group was not subject to any punishment by the government or and not involved in any lawsuit and there was no fatality case.

Development and Training

The Group structures the on-the-job training and offers employees based on the needs of respective positions and their talents and interests. The Human Resources Training Plan was formulated to control the training. The Group arranges various trainings on a regular basis covering topics of staff orientation, quality assurance, occupational safety, manufacturing processes and accounting practices to provide targeted and personalised training to its employees. A training record is maintained for future evaluation of the training results of each training program. The Group believes that improving their professional skills is in line with the Group's development strategies, and hence increasing the Group's competitiveness.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Table 5. Training activities during the Reporting Period

Month	Target	Training Content
February	• Production line managers	• Environment, health and safety training
March	• New employees	• Fire safety and company management system training
	• New employees	• Standard for cropping and familiarizing cropping procedures • Quality Standard and familiarizing knitting, first and second quality inspections and packaging procedures
	• Quality Inspection Department	• First quality inspection requirements, caution, and operation procedures
	• Production line managers, senior clerks and first aiders	• First aid training
	• Department managers	• Recruitment and employment training
April	• Production line managers and senior clerks	• Dangerous chemicals management
May	• Quality Inspection Department	• Second quality inspection requirements, caution, and operation procedures
	• All employees	• Instruction on using firefighting and fire safety equipment and emergency evacuation in workplace
	• New employees	• Orientation
	• Production line managers and senior clerks	• Social responsibility procedures
June	• Production line managers, senior clerks and security	• Equipment safety and operation training
	• Ironing personnel	• Ironing requirement and techniques
	• All employees	• Fire safety and emergency evacuation
July	• All employees	• Incident prevention and safety production
	• Production line managers and senior clerks	• Safety equipment operation and maintenance

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Month	Target	Training Content
August	• Packaging personnel	• Packaging requirement and techniques
	• Department managers and senior clerks	• Emergency measures and environmental protection
September	• Fire safety personnel	• Fire safety and emergency evacuation
	• All employees	• Instruction on using firefighting and fire safety equipment and emergency evacuation in workplace
	• Employees living in the accommodation	• Instruction on using firefighting and fire safety equipment and emergency evacuation in accommodation
October	• Department managers and employee representatives	• Law and regulation training
	• New employees and some senior employees	• Fire safety and company management system training
	• Printing Department	• Operation requirement of the position and quality control
November	• Dyeing and Finishing Department	• Operation requirement of the position and quality control
	• Department managers and employee representatives	• Hazardous substance protection and management training
December	• Department managers and employee representatives	• Occupational injury and insurance

	Male	**Female**
Average training hours for employee[1]	12.14	12.66

[1] The reporting scope includes the operation in China

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATION PRACTICES

Supply Chain Management

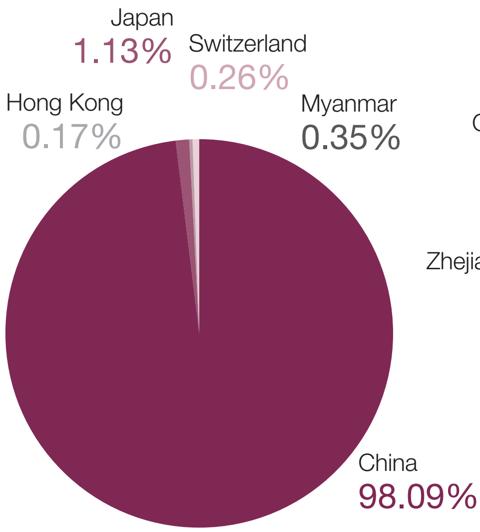
The Group emphasizes the importance of supply chain management, in particular the social performance of its suppliers and subcontractors. The Group has formulated and implemented an internal policy, which is known as the *Suppliers/ Subcontractors Social Responsibility Control Procedure*, to select suppliers and subcontractors based on their performance in social responsibility. The supplies department is assigned to take the responsibility of assessing the suppliers and subcontractors' performance.

Procedure for evaluating the performance of suppliers and subcontractors in social responsibility:

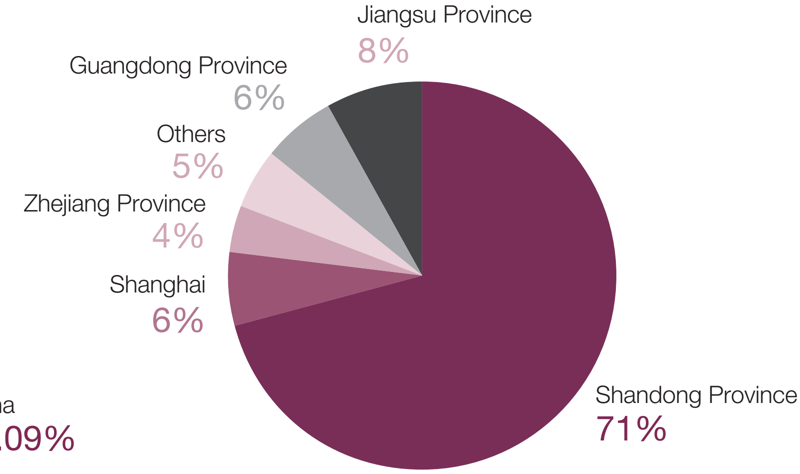
- The supplies department examines the performance of suppliers and subcontractors in terms of social responsibility based on the information collected; suppliers and subcontractors can only be certified after on-site assessment
- The supplies department develops a file containing assessment results, proofs and records of improvement, certifications related to social responsibility etc., for each certified supplier and subcontractors
- All suppliers and subcontractors should sign up for the commitment to take the social responsibility before entering into contract with the Group
- The supplies department will perform visits to suppliers and subcontractors for evaluating and recording the performance in social responsibility and improvement
- Cooperation with suppliers and subcontractors will be terminated if the supplies department discovers child labour, forced labour and any other critical issues violating the labour-related laws and the relevant laws and regulations relating to social responsibility management system; the supplies department is expected to study the sub-providers of the suppliers and subcontractors in order to prevent child labour and forced labour happening in workplaces of sub-providers
- Suppliers and subcontractors will not be considered if they refuse to be examined on-site
- If a supplier or subcontractor either obtains SA8000 or conform to the world-renowned procurement evaluation standard, the on-site assessment can be exempted only if they can provide relevant certification or evaluation reports

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The percentage[1] of suppliers by geographical location and province of China:



By geographical location



By province of China

1 The reporting scope includes the operation in China and Myanmar

Product Responsibility

The Group builds on the compliance with laws and regulations relating to product responsibility. Protecting intellectual property and securing the quality of the products are given top priority by the Group, and a set of policies has been adopted. The information and materials relating to customers and their products are treated as highly confidential. Considering the safety of the products, dyes and chemicals used are approved chemical additives which produced by renowned chemical companies in the PRC and abroad. The use of chemical additives which contain banned chemicals in the European Union, the United States and China are strictly prohibited.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Table 6. The Group's compliance with and implementation of the major laws and regulations relating to product responsibility during the Reporting Period

The relevant laws and regulations of the PRC

- *Trademark Law of the People's Republic of China*
- *Law of The Peoples Republic of China on Product Quality*
- *Law of The People's Republic of China on the Protection of Consumer Rights and Interests*

1 The relevant Myanmar's laws and regulations complied by the Group will be disclosed in the future

During the Reporting Period, the Group was not aware of any incidents of non-compliance with laws and regulations concerning the provision and use of the Group's products and services, including but not limited to, product and service information and labelling, marketing communications including advertising and promotion, and property rights including intellectual property rights that would have a significant impact on the Group. There was no case for recalling products for safety and health reasons.

The Group had received 5 complaints from the customers regarding to the products.

The Group neither experienced any customer data leakage, nor received any complaints about inappropriate use of customer information during the Reporting Period that would have a significant impact on the Group.

Intellectual Property Protection

The Group relies on a combination of protection such as entering into non-disclosure agreements, implementing internal security systems and policies and employing other methods to protect intellectual property. Employees are required to sign an employment agreement which prohibits the disclosure of any of the Group's proprietary intellectual property to any third parties.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Quality Control

The Group upholds the belief that "The quality today determines the market tomorrow" and strives to improve its quality management system. The Group promotes 8S (Sort, Straighten, Sweep, Sanitary, Sentiment, Safety, Save and Study) management concept in the working environment. At each of the production steps, comprehensive inspections on the quality of the semi-finished and finished fabrics are conducted to ensure compliance with customers' order specifications. The semi-finished and finished fabrics are required to go through three quality testing points. Preliminary inspection is carried out on greige fabrics before dyeing. Intermediate inspection is performed after the dyeing procedure to ensure the colors and quality of the dyed fabrics meet customers' order specifications. During the final inspection, fabrics are put onto a stenter machine for, on one hand, cleaning, wringing and drying and on the other hand, screening knitting patterns and colors of the fabrics, identifying flaws in thickness and for physical touch inspection. The fabrics will then go through physical, chemical and bacteria testing before a quality inspection report is issued by our quality assurance staff. Thereafter, the fabrics will be transported to the warehouse.

Systems and certifications relating to quality control

- Enterprise Resource Planning Management System
- Toyota Production System
- Worldwide Responsible Accredited Production Certification
- Workplace Conditions Assessment Certification
- The Business Social Compliance Initiative Certification
- PUMA Certification

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption

The Group strictly abides by the relevant laws and regulations and prohibits bribery, extortion, fraud, money laundering and other illegal acts. The Group's employees are encouraged to report on misconducts and malpractices through the whistleblowing system. The Group is committed in the *Policy on Reporting Management and Feedback System* that the information of whistle-blowers is treated as strictly confidential.

In 2017, the Group further enhanced the misconduct and malpractice management by formulating and implementing the *Policy on Resignation/Dismissal Audit System*. The responsibility on potential operation risks and the economic responsibility of the resigned or dismissed person during his or her tenure are assessed and defined. These responsibilities include any risks and economic loss caused by misconducts and malpractices. The incentive for misconduct and malpractice is thus reduced.

Table 7. The Group's compliance with and implementation of the major laws and regulations relating to anti-corruption during the Reporting Period

The relevant laws and regulations of the PRC
• *Criminal Law of the People's Republic of China*

[1] The relevant Myanmar's laws and regulations complied by the Group will be disclosed in the future

During the Reporting Period, the Group did not receive any allegation against the Group or its employees of bribery, extortion, fraud and money laundering that would have a significant impact on the Group. No whistleblowing disclosures relating to anti-bribery and anti-corruption were received.

COMMUNITY

Community Investment

The Group has attached great importance to participating in community cultural activities and carried out various forms of cultural exchange activities with the local communities according to the *Policy* on *Social Responsibility Procedure*. The Group builds up and maintains harmonious relationships with people who are directly affected or interested in the operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2017, the branch of the communist party in the Group had participated in the community development. The participants visited 10 families and old communist party members and provided daily necessaries.

The annual gala for lunar new year was conducted and all managers, technicians and outstanding staff of 2017 were invited to join the gala.

The Group also supported the Buddha Festival in Myanmar.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX 1：ESG GUIDE INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Section/Reasons for Omissions
A. Environment		
Aspect A1: Emission	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	Environment
	KPI A1.1 The types of emissions and respective emissions data.	Air Emissions, Wastewater
	KPI A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse Gas Emissions
	KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Hazardous and Non-Hazardous Wastes
	KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Hazardous and Non-Hazardous Wastes
	KPI A1.5 Description of measures to mitigate emissions and results achieved.	Emissions
	KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Hazardous and Non-Hazardous Wastes

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs

Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc	Use of Resources
	KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	Energy Consumption
	KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Consumption
	KPI A2.3 Description of energy use efficiency initiatives and results achieved.	Energy Consumption
	KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Consumption
	KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Not Applicable. The Group has no control on packaging materials due to the nature of its business mode. The Group is a contractor and has fulfilled all criteria stated in the contract with no control on product specification or packaging materials. The packaging materials left are either returned to customers or kept in the factories for other suitable products.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
	KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Noise
		Section/Reasons for Omissions
B. Social		
Employment and Labour Practices		
Aspect B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Practice
	KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	Employment and labour standards
	KPI B1.2 Employee turnover rate by gender, age group and geographical region.	Employment and labour standards
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs

Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Development and Training
	KPI B3.2 The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and labour standards
Operating Practices		
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
	KPI B5.1 Number of suppliers by geographical region.	Supply Chain Management
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
Community		
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is pleased to present this report in the Group's annual report for the year ended 31 December 2017.

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 "**Code Provision(s)**"), 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 year ended 31 December 2017, the Company has complied with the Code Provisions set out in the CG Code.

BOARD

Responsibilities

The Board is responsible for leading and controlling the Company and overseeing the Group's businesses, strategic decisions and financial performance as well as its overall corporate governance functions. The management is delegated the authority and responsibility by the Board for the management of the Group under the leadership of the chairman. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively the "**Committees**"), which assist the Board in discharging its duties and overseeing particular aspects of the Group's activities.

CORPORATE GOVERNANCE REPORT

The types of decisions made by the Board include, among others, determining the Group's mission and corporate policy, providing its strategic direction and is responsible for the approval of strategic plans, approving the Company's financial statements, interim and annual reports, determining director selection, orientation and evaluation as well as regularly evaluating its own performance and effectiveness.

The day-to-day management, administration and operation of the Company are delegated to the senior management, with division heads responsible for different aspects of the business.

Major corporate matters that are specifically delegated by the Board to the senior management include preparation of interim and annual reports and announcements, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures and compliance with relevant laws, rules and regulations.

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises three executive Directors, namely Mr. Wang Bin, Ms. Tian Ying and Mr. Lam Tet Foo, one non-executive Director, namely Mr. Zhang Yanlin and three independent non-executive Directors, namely Mr. Xu Dunkai, Ms. Feng Xin and Mr. Hu Quansen. The biographies of the Directors are set out under the section headed "Biographies of Directors and Senior Management" of this annual report.

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgment to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive Directors make various contributions to the effective direction of the Company.

The Board is also characterised by significant diversity in areas of gender, professional backgrounds and skills. The Board formalised its existing diversity through the introduction of a board diversity policy, which is expected to bring further diversity in respect of business and financial experience to the Board for contributing to the effective direction of the Board.

Save as disclosed in the section headed "Biographies of Directors and Senior Management" on pages 17 to 21 of this report, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure that strong independence exists across the Board.

During the year ended 31 December 2017 and up to the date of this report, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

CORPORATE GOVERNANCE REPORT

The Company has received annual confirmations of independence from the three independent non-executive Directors. The Board has assessed their independence and is satisfied that all the independent non-executive Directors are in full compliance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

The non-executive Director, namely Mr. Zhang Yanlin entered a service contract with the Company for an initial term of three years commencing from 12 October 2016, which shall be renewed and extended automatically by three years on the expiry of such initial term or at any time thereafter. The independent non-executive Directors, namely Mr. Xu Dunkai, Ms. Feng Xin and Mr. Hu Quansen, entered a service contract with the Company for an initial term of three years commencing from 12 October 2016. The non-executive Directors and the independent non-executive Directors are also subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the Company's articles of association. At every annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the Corporate Governance Code.

Training for Directors

Every newly appointed Director shall receive an information package from the Company on the first occasion of his appointment. This information package is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by the Director. In addition, the package includes materials on the operations and business of the Group. The Company will subsequently arrange for a briefing as is necessary to ensure that the newly appointed Directors have a proper understanding of the business and operations of the Group and that they are aware of their responsibilities under the relevant laws, rules and regulations.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, Directors are encouraged to enroll in and attend a wide range of professional development courses and seminars relating to the Listing Rules and corporate governance practices organised by professional bodies so that they can continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written training materials to develop and refresh their professional skills.

According to the records maintained by the Company, all the Directors received trainings in the form of reading written materials and/or attending seminars with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the Code Provisions on continuous professional development during the year ended 31 December 2017.

Board meetings

Board meetings are held regularly, at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The attendance record of each member of the Board is set out in the section headed "Board Committees".

All Directors have access to the advice and services of the company secretary of the Company (the "Company Secretary"). All Directors have access to the senior management for enquiries and information when required. The Directors, upon reasonable requests, may also seek independent professional advice at the Company's expense.

Practices and conduct of meetings

Draft agenda of all Board meetings are made available to the Directors in advance.

Where practicable, notices of regular Board meetings and Committee meetings are served on all Directors at least 14 days before the meetings. Board papers are sent to all Directors at least three days before each Board meeting or Committee meeting to keep the Directors apprised of the latest developments and the financial position of the Company and to enable them to make informed decisions.

The Company Secretary is responsible for keeping minutes of all Board meetings and Committee meetings. Draft minutes are normally circulated to the Directors for comments within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction involving conflict of interests of a substantial shareholder or a Director will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association also contain a provision requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates (as defined under the Listing Rules) have a material interest.

Directors and officers liability insurance

Liability insurance for Directors and senior management of the Company was arranged by the Company with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

CORPORATE GOVERNANCE REPORT

Corporate governance functions

The Board has adopted the terms of reference on corporate governance functions. The terms of reference of the Board in respect of corporate governance function are summarised as follows:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices to ensure compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Code Provisions and its disclosure requirements in the Corporate Governance Report.

The work performed by the Board on corporate governance functions during the year ended 31 December 2017 included developing and reviewing the Company's policies on corporate governance and making recommendations.

Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company confirms that, having made specific enquiry of all the Directors, the Directors have complied with the required standards as set out in the Model Code during the year ended 31 December 2017.

BOARD COMMITTEES

The Board established the Audit Committee and Remuneration Committee on 19 August 2011 and the Nomination Committee on 27 March 2012 with clearly-defined written terms of reference. The main roles and responsibilities of the Committees, including all authorities delegated to them by the Board, are set out in the respective terms of reference or amended and restated terms of reference, where applicable. The independent views and recommendations of the Committees ensure proper control of the Group and the continual achievement of high corporate governance standards expected of a listed company. The chairman of each Committee reports the outcome of the Committee's meetings to the Board for further discussions and approvals.

The majority of the members of each Committee are independent non-executive Directors. The Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice at the Company's expenses.

CORPORATE GOVERNANCE REPORT

The individual attendance records of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and general meeting during the year ended 31 December 2017 are set out below:

	Number of meetings attended/held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Wang Bin	4/4	–	–	2/2	1/1
Ms. Tian Ying	4/4	–	2/2	–	1/1
Mr. Lam Tet Foo	4/4	–	–	–	1/1
Non-executive Director					
Mr. Zhang Yanlin	2/2	–	–	–	1/1
Independent non-executive Directors					
Mr. Xu Dun Kai	2/2	2/2	2/2	–	1/1
Ms. Feng Xin	2/2	2/2	–	2/2	1/1
Mr. Hu Quansen	2/2	2/2	2/2	2/2	1/1

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Xu Dunkai, Ms. Feng Xin and Mr. Hu Quansen. The Audit Committee is chaired by Mr. Hu Quansen, who possesses the appropriate professional qualifications and extensive experience in, and knowledge of, finance and accounting as required under Rule 3.10 of the Listing Rules. All Audit Committee members hold the relevant industry and financial experience necessary to advise the Board on strategies and other related matters. None of the Audit Committee members is a former partner of the Company's existing external auditors.

CORPORATE GOVERNANCE REPORT

The Audit Committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of those auditors; monitoring the integrity of the financial statements, the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and reviewing the financial controls, internal control and risk management systems.

The Group's audited financial statements and annual report for 2017 had been reviewed by the Audit Committee, which was of the opinion that the preparation of such statements and report complied with the applicable accounting standards and requirements and that adequate disclosure had been made.

The Audit Committee has not taken any different view from the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

At the committee meeting held on 26 March 2018, the Audit Committee concluded that it was satisfied with its review of the audit fee, process and effectiveness, independence and objectivity of SHINEWING (HK) CPA Limited. The Audit Committee has therefore made the recommendation to the Board that SHINEWING (HK) CPA Limited be re-appointed as the Group's external auditors at the forthcoming annual general meeting.

The Audit Committee met two times during the year ended 31 December 2017, in which the Audit Committee members reviewed the Company's internal controls and risk management process, financial reporting and compliance procedures and financial results and reports and assessed the external auditors for re-appointment. The Audit Committee meeting was attended by the Audit Committee members, the chief financial officer and the external auditors. The attendance record of each member of the Audit Committee is set out in the section headed "Board Committees".

Remuneration Committee

The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Xu Dunkai and Mr. Hu Quansen, and one executive Director, Ms. Tian Ying. The Remuneration Committee is chaired by Mr. Xu Dunkai. 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 met two time during the year ended 31 December 2017, in which the Remuneration Committee members reviewed the existing remuneration policy and structure of the Company and the remuneration packages and discretionary bonus of the Directors and senior management for 2017 and made recommendations to the Board to approve the proposals on the fees of the independent non-executive Directors. The attendance record of each member of the Remuneration Committee is set out in the section headed "Board Committees".

For the year ended 31 December 2017, the remuneration of the senior management (excluding Directors) is listed as below by band:

Band of remuneration	No. of persons
Below RMB500,000	4
RMB500,001 to RMB1,000,000	4

Further details of the remuneration of Directors and five highest paid employees have been set out in notes 13 and 14 to the consolidated financial statements.

Nomination Committee

The Nomination Committee comprises two independent non-executive Directors, namely, Ms. Feng Xin and Mr. Hu Quansen, and one executive Director, Mr. Wang Bin. The Nomination Committee is chaired by Mr. Wang Bin.

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.

During the year ended 31 December 2017, two meeting was held by the Nomination Committee. The major work performed by the Nomination Committee during the year included reviewing the Nomination Committee's terms of reference, proposing appointment of Directors reviewing the policy relating to term of appointment of the independent non-executive Directors, and recommending to the Board for approval of the continuation of the independent non-executive Directors' term of appointment. The attendance record of each member of the Nomination Committee is set out in the section headed "Board Committees".

Company Secretary

The Company Secretary, namely Mr. Lee Yin Sing, is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the chairman of the Board and is responsible for advising the Board on governance matters. The Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 December 2017. The details of the Company Secretary are set out under the section headed "Biographies of Directors and Senior Management" of this annual report.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The senior management has provided such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Board is responsible for presenting a clear and balanced view of the Company's annual and interim reports, inside information announcements, disclosures required under the Listing Rules, and other regulatory requirements. The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2017.

AUDITORS' REMUNERATION

During the Year under Review, the remuneration paid/payable to the external auditors of the Company in respect of statutory audit service and agreed-upon procedures were approximately RMB751,000 and RMB240,000, respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for risk management and internal control of the Group and for reviewing its effectiveness. The Board requires the senior management to establish and maintain sound and effective risk management and internal control.

Processes used to identify, evaluate and manage significant risks

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

Main features of the risk management and internal control systems

The internal control framework includes central direction, resources allocation and risk management of the activities of various business units, supported by the human resources, information systems and financial practice. As such, the Group has a clear organisational structure including appropriate segregation of duties and reporting systems. Limits of authorities have been established. Starting from the top, there is a list of matters reserved for Board approval. In carrying out key functions, senior management personnel are assigned levels of authority and accountability commensurate with their positions and duties. There are also relevant policies and procedures applicable to all business units to guide their business operations. All business units are required to produce annual budgets for the senior management's approval. The heads of all business units are required to assess the risk factors attributed to their businesses. In addition, all business units shall submit monthly management reports with comparisons between actual and budget results and give explanations and solutions for major variances.

Control procedures have been designed to safeguard assets against misappropriation and disposition; ensure compliance with relevant laws, rules and regulations; ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; and to provide reasonable assurance against material misstatement, loss or fraud.

Processes used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

Extensive financial controls, procedures, self-assessment exercises and risk activities are reviewed by the Group's finance department, which is responsible for reviewing the Group's internal control systems, operational efficiency and compliance with the policies and procedures on a regular basis, and ensuring the existence of an effective internal control system in all business units. The finance department performs independent reviews of risks associated with and controls over principal operations and critical applications, and reports to the Audit Committee with its findings and makes recommendations to improve the internal controls of the Group.

CORPORATE GOVERNANCE REPORT

All key controls within the framework will be tested periodically by the finance department. External auditors will also test key controls for those processes which are most critical to producing complete and accurate financial reports. Semi-annual confirmations from chief executives of principal subsidiaries are obtained as to whether the internal controls are working properly and if any remedial actions are required on areas where control weaknesses are noted. External auditors also advise the senior management on whether the controls are in place and effective to ensure a proper financial controlling and reporting process of the Group.

The Board convened meetings periodically to discuss business risks, financial risks, compliance risks and operation and other risks. The Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Group, covering all material controls such as financial, operational and compliance controls and risk management functions, and considered that the internal control system and procedures of the Group, including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programs and budget, are adequate and effective and have complied with the provisions of the Corporate Governance Code during the year.

The Board has engaged APAC Compliance Consultancy and Internal Control Services Limited as its risk management and internal control review adviser (the "IC Adviser") to conduct the annual review of the risk management and internal control systems for the year ended 31 December 2017. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board. The IC Adviser has reported findings and areas for improvement to the Audit Committee and management. The Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the IC Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

Procedures and internal controls for the handling and dissemination of inside information

The Company's general counsel assesses the likely impact of any unexpected and significant event that may impact the price of the Shares or their trading volume and decides whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO. Executive Directors and General Counsel also may have responsibility for approving certain announcements and/or circulars to be issued by the Company under powers delegated by the Board from time to time.

COMMUNICATIONS WITH SHAREHOLDERS

The Group reports to its shareholders twice a year. Interim and annual results are announced as early as possible to keep shareholders informed of the Group's performance. The general meetings of the Company provide a forum for communication between the shareholders and the Board. All shareholders are encouraged to attend the annual general meeting to discuss the progress of the Group's business. The chairman of the Board and the chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, other members of the respective Committees, and where applicable, the independent Board committee, are available to answer questions at the general meetings. Separate resolutions are proposed at the general meetings on each substantial issue, including re-election of Directors. The Company's website, which contains corporate information, interim and annual reports, announcements and circulars issued by the Company as well as the recent developments of the Group, enables the shareholders to access information on the Group on a timely basis.

Shareholders' Rights

Convening an extraordinary general meeting

Pursuant to article 10.3 of the articles of association of the Company, extraordinary general meetings of the Company (the "EGM(s)") shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the nominal value of the issued shares in the Company which carries the right of voting at general meetings of the Company. The EGMs may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the nominal value of the issued shares in the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionists(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the EGM in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed the them by the Company.

CORPORATE GOVERNANCE REPORT

Putting enquiries to the Board

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the Company Secretary at the Company's head office and principal place of business in Hong Kong or the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at ir@greatimeintl.com.

Shareholders are reminded to lodge their questions together with their detailed contact information in order to receive prompt response from the Company if it deems such response to be appropriate.

Putting forward proposals at Shareholders' meeting

Shareholders can put forward proposed resolutions at a general meeting of the Company by lodging a written notice of his/her/its proposal ("proposed resolution") with his/her/its detailed contact information via email at the email address of the Company at ir@greatimeintl.com.

The identity of the shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a shareholder, the Board will determine in its sole discretion whether the proposed resolution may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period shall not be less than 21 days in writing if the proposed resolution requires approval by way of an ordinary resolution in an annual general meeting or a special resolution of the Company; and not less than 14 days in writing if the proposed resolution requires approval in meeting other than an annual general meeting or approval by way of a special resolution of the Company.

Shareholders may also lodge their proposed resolutions with the Company through the following means:

Hotline no.: 2818 1982

By post: Room 4408, 44/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

CONSTITUTIONAL DOCUMENTS

The Company's articles of association are available on the websites of the Company and the Stock Exchange. During the year ended 31 December 2017, there is no change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

CORPORATE INFORMATION

The Company was incorporated in the British Virgin Islands with limited liability under the Business Companies Act of the British Virgin Islands (2004) on 8 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Group are manufacturing of knitted fabrics and innerwear. Details of the principal activities of the Company's principal subsidiaries are set out in note 39 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as well as a discussion and analysis of the Group's performance during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. These discussions form part of this Directors' report.

PERMITTED INDEMNITY

The articles of association of the Company provides that every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

A directors' liability insurance is in place to protect the Directors with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2017 and its state of affairs as at that date are set out in the consolidated financial statements on pages 76 to 82.

No interim dividend was paid during the year. The Directors did not recommend payment of a final dividend for the year ended 31 December 2017.

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report. This summary does not form part of the audited consolidated financial statements.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that have significant impact on the business and operations of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the movements in the Company's share capital during the year are set out in note 29 to the consolidated financial statements.

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 Board may, at its absolute discretion, grant an option to eligible participant(s) to subscribe for the shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme. The offer of a grant of share options may be accepted within 28 days from the date of offer, with consideration of HK$1 payable by the grantee upon acceptance. The total number of shares of the Company available for issue under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 38,000,000 shares of the Company, being approximately 9.2% of the total number of shares of the Company in issue as at the date of this report.

The exercise price of share options is determined by the Board, but shall be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; and (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option.

The total number of shares of the Company issued and to be issued upon exercise of the options granted to or to be granted to each eligible participant under the Share Option Scheme and any other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue. The Share Option Scheme will remain in force for a period of 10 years from 24 November 2011. Under the Share Option Scheme, each option has a 10-year exercise period. As at the date of this annual report, no option has been granted under the Share Option Scheme.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2017, the Company's reserves available for distribution amounted to Nil (as at 31 December 2016: Nil).

DIRECTORS

The Directors during the year and up to the date of this report were:

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

In accordance with Article 14.2 of the Company's articles of association, Mr. Wang Bin, Mr. Zhang Yanlin and Mr. Hu Quansen will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each independent non-executive Director an annual confirmation of his independence from the Group, and as at the date of this report still considers them to be independent pursuant to Rule 3.13 of the Listing Rules.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 17 to 21 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service contract with the Company for an initial term of three years commencing from 12 October 2016, which shall be renewed and extended automatically by three years on the expiry of such initial term or at any time thereafter. The non-executive Director, namely Mr. Zhang Yanlin entered a service contract with the Company for an initial term of three years commencing from 12 October 2016, which shall be renewed and extended automatically by three years on the expiry of such initial term or at any time thereafter. The appointments of the independent non-executive Directors, namely Mr. Xu Dunkai, Ms. Feng Xin and Mr. Hu Quansen, have been renewed for a term of three years commencing from 12 October 2016.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Board has the general power of determining the Directors' remuneration, subject to authorisation of the shareholders of the Company at the annual general meeting each year. The remuneration of the executive Directors is subject to review by the Remuneration Committee, and their remuneration is determined with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group. As for the non-executive Directors and independent non-executive Directors, their remuneration is determined by the Board, upon recommendation from the Remuneration Committee. Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 13 and 14, respectively, to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Except for the service contracts and the Share Option Scheme as disclosed in this annual report, there were no transactions, arrangements, or contracts of significance in relation to the business of the Group, to which the Company, its parent company, its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 December 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 annual report, the Company, its parent company, or any of its subsidiaries or fellow subsidiaries did not, at any time during the year ended 31 December 2017 and up to the date of this annual 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

So far as the Directors are aware of as at 31 December 2017, the following persons/entities other than a Director or the chief executive of the Company had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the issued voting shares of the Company or any other members of the Group:

Name	Capacity	Number of shares[(1)]	Approximate percentage of shareholding
Junfun Investment Limited	Beneficial owner	260,661,501 (L)	52.37%

Note:

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

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any persons who/entities which had any interest or short position in the securities in the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the Register required to be kept under section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the usual course of business are set out in note 36 to the Consolidated Financial Statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2017, none of the Directors and their respective close associates had any interests in any business, apart from the business of the Group, which competes or likely to compete (either directly or indirectly) with the business of the Group.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The Company has received annual confirmations from the controlling shareholders, Junfun Investment Limited, in respect of their compliance with the non-competition undertaking provided in favour of the Company. The independent non-executive Directors have reviewed the said undertaking and are of the view that Junfun Investment Limited has complied with the non-competition undertaking during the year ended 31 December 2017.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company did not enter into any contract in respect of the management or administration of the entire or any significant part of the business of the Company nor did any such contract subsist at any time during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

PRE-EMPTIVE RIGHTS

There were no provisions of pre-emptive rights under the Company's articles of association or the laws of the British Virgin Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders unless otherwise required by the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

MAJOR SUPPLIERS AND CUSTOMERS

In the Year under Review, the Group's largest supplier accounted for 6.4% (2016: 5.5%) of the Group's total purchases. The Group's five largest suppliers accounted for 23.7% (2016: 13.5%) of the Group's total purchases.

In the year under review, the Group's sales to its five largest customers accounted for 47.0% (2016: 66.6%) of the Group's total sales. The Group's largest customer accounted for 17.7% (2016: 22.4%) of the Group's total sales.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any shareholders which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital has any beneficial interest in the Group's five largest customers or five largest suppliers.

Key relationship with the customers and suppliers

(a) Customers

The Group's customers are mainly based in Mainland China, Japan, the United State and Europe. We have maintained business relationships with most of them for more than five years. Consistent with usual industry practice, the Group does not enter into any long-term sales agreements with its customers, but will request them to place purchase orders with us for every season. Our team is committed to providing customers with high quality products and efficient after sales services. The Directors regard the interest of customers as one of our top priorities.

(b) Suppliers

We carefully select our suppliers based on various criteria, including but not limited to: (i) the quality of the products supplied by them; (ii) their ability to deliver products to us in a timely manner; and (iii) their reputation in the industry. We have maintained business relationships with most of our suppliers for more than five years.

The Directors consider that it is commercially beneficial to build up a close and long-term business relationship with our suppliers as our long-term collaboration would allow us to provide reliable and quality products to our customers.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The 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, re-appointment 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 integrity of the financial statements, the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and reviewing the financial controls, internal control and risk management systems.

The Audit Committee has reviewed the Company's internal controls and risk management process, financial reporting and compliance procedures and financial results and reports, including review of the audited consolidated financial statements of the Group for the year ended 31 December 2017. The consolidated financial statements for the year ended 31 December 2017 have been audited by the Company's external auditors, SHINEWING (HK) CPA Limited.

CORPORATE GOVERNANCE

The Company has published its corporate governance report, which is set out on pages 50 to 62 of this annual report.

AUDITOR

During the year, SHINEWING (HK) CPA Limited were appointed as the external auditors of the Company.

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint SHINEWING (HK) CPA Limited as the external auditors of the Company.

On behalf of the Board

Wang Bin
Chairman

Hong Kong, 26 March 2018

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF GREATIME INTERNATIONAL HOLDINGS LIMITED
(FORMERLY KNOWN AS GRAND CORNORD INTERNATIONAL HOLDING LIMITED)
(Incorporated in the British Virgin Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Greatime International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 76 to 142, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment on trade and bills receivables

Refer to note 22 to the consolidated financial statements and the accounting policies on pages 97 to 100.

The key audit matter	How the matter was addressed in our audit
The Group has trade and bills receivables of approximately RMB41,966,000. It is a key audit matter due to its significance to the consolidated financial statements and involving a significant degree of judgment of the directors of the Company in assessing the impairment of the trade and bills receivables. For the year ended 31 December 2017, an impairment loss on trade receivables of approximately RMB1,496,000 (2016: nil) was recognised.	Our procedures were designed to review the management's assessment of recoverability of trade and bills receivables and challenge the reasonableness of the methods and assumptions used. We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessed the management's impairment testing. Besides, we have challenged the assumptions and critical judgment used by the management by assessing the reliability of the management's past estimates and taking into account the ageing at year end, credit-worthiness of the customers during the year and subsequent cash received after the end of the reporting period.

INDEPENDENT AUDITOR'S REPORT

Impairment assessment on plant, property and equipment

Refer to note 17 to the consolidated financial statements and the accounting policies on page 124.

The key audit matter	How the matter was addressed in our audit
The Group has property, plant and equipment of approximately RMB190,798,000. It is a key audit matter due to its significance to the consolidated financial statements and involving a significant degree of judgment of the directors of the Company in assessing the impairment of the property, plant and equipment.	Our procedures were designed to review the management's assessment of the value-in-use of the property, plant and equipment and challenge the reasonableness of the methods and assumptions used. We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessed the management's impairment testing. Besides, we have evaluated the reasonableness of the assumptions and critical judgment used by the management by comparing the valuation technique and the key assumptions adopted by the management to entity-specific information and market data or research. We have also performed sensitivity analysis on the key inputs to evaluate the magnitude of their impacts on the value of the property, plant and equipment.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance' and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Wing Kit.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong
26 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	**2017** **RMB'000**	2016 RMB'000
Revenue	7	**314,119**	334,297
Cost of sales		**(266,227)**	(271,456)
Gross profit		**47,892**	62,841
Other income and gains	9	**4,409**	3,281
Selling and distribution expenses		**(9,929)**	(8,869)
Administrative expenses		**(68,580)**	(60,652)
Finance costs	10	**(3,549)**	(4,720)
Loss before tax		**(29,757)**	(8,119)
Income tax expense	11	**(672)**	(4,420)
Loss for the year	12	**(30,429)**	(12,539)
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**(3,703)**	2,993
Other comprehensive (expense) income for the year, net of income tax		**(3,703)**	2,993
Total comprehensive expense for the year		**(34,132)**	(9,546)
Loss per share:			
– Basic and diluted (RMB)	16	**(0.07)**	(0.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTES	**2017** **RMB'000**	2016 RMB'000
Non-current assets			
Property, plant and equipment	17	**190,798**	199,890
Goodwill	18	**–**	–
Prepaid lease payments	19	**14,354**	11,532
Prepayments	23	**2,862**	–
Deposits paid to acquire property, plant and equipment		**942**	472
Deferred tax assets	20	**546**	502
		209,502	212,396
Current assets			
Inventories	21	**43,497**	44,482
Trade and bills receivables	22	**41,966**	48,306
Prepayments and other receivables	23	**11,593**	13,010
Prepaid lease payments	19	**408**	297
Restricted bank deposits	24	**1,548**	3,225
Cash and bank balances	24	**160,868**	109,876
		259,880	219,196
Current liabilities			
Trade and bills payables	25	**45,304**	31,914
Accruals and other payables	26	**19,265**	17,053
Advance from customers		**2,930**	1,838
Loan from a shareholder	30	**4,191**	–
Interest-bearing borrowings	27	**82,000**	88,000
Income tax payables		**396**	1,110
		154,086	139,915
Net current assets		**105,794**	79,281
Total assets less current liabilities		**315,296**	291,677
Non-current liability			
Deferred tax liabilities	20	**537**	609
Net assets		**314,759**	291,068

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
Capital and reserves			
Share capital	29	**148,929**	91,106
Reserves		**165,830**	199,962
Total equity		**314,759**	291,068

The consolidated financial statements on pages 76 to 142 were approved and authorised for issue by the board of directors on 26 March 2018 and are signed on its behalf by:

Mr. Wang Bin
Director

Ms. Tian Ying
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company						
	Share capital	**Statutory reserve**	**Exchange reserve**	**Special reserve**	**Other reserve**	**Retained earnings**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note (a))		(Note (b))	(Note (c))		
As at 1 January 2016	91,106	37,191	451	(83)	5,800	166,149	300,614
Loss for the year	–	–	–	–	–	(12,539)	(12,539)
Other comprehensive income for the year:							
Exchange differences arising on translating foreign operations	–	–	2,993	–	–	–	2,993
Total comprehensive income (expense) for the year	–	–	2,993	–	–	(12,539)	(9,546)
As at 31 December 2016 and 1 January 2017	91,106	37,191	3,444	(83)	5,800	153,610	291,068
Loss for the year	–	–	–	–	–	(30,429)	(30,429)
Other comprehensive expense for the year:							
Exchange differences arising on translation of foreign operations	–	–	(3,703)	–	–	–	(3,703)
Total comprehensive expense for the year	–	–	(3,703)	–	–	(30,429)	(34,132)
Proceed from share placing (note 29)	58,412	–	–	–	–	–	58,412
Transaction cost attributable to share placing (note 29)	(589)	–	–	–	–	–	(589)
As at 31 December 2017	148,929	37,191	(259)	(83)	5,800	123,181	314,759

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

Notes:

(a) Statutory reserve

The statutory reserve, which is non–distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries. 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 its net 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

On 7 March 2011, in recognition of the services of two senior executives of the Group's subsidiaries, Global Wisdom Capital Holdings Limited, being the Company's former holding company, transferred a total of 1,300,000 shares of the Company to the executives of the Company. The shares consideration was paid by the executives in cash by three installments which was fully settled on 7 March 2011, 7 March 2012 and 7 March 2013.

The transaction was accounted for as an equity settled share–based payment and accordingly, 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, amounted to RMB5,800,000, was recorded as other reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017	2016
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(29,757)**	(8,119)
Adjustments for:		
Depreciation of property, plant and equipment	**25,528**	25,980
Reversal of impairment loss on inventories	**–**	(306)
Amortisation of prepaid lease payments	**389**	298
Net gain on disposal of property, plant and equipment	**(223)**	(236)
Impairment loss on goodwill	**–**	1,008
Impairment loss on trade receivables	**1,496**	–
Finance costs	**3,549**	4,720
Interest income	**(1,217)**	(950)
Cash (used in) generated from operation before movements in working capital	**(235)**	22,395
Decrease in inventories	**825**	14,357
Decrease in trade and bills receivables	**4,315**	29,081
(Increase) decrease in prepayments and other receivables	**(1,503)**	11,848
Increase (decrease) in trade and bills payables	**13,390**	(30,601)
Increase (decrease) in accruals and other payables	**2,330**	(427)
Increase (decrease) in advance from customers	**1,092**	(188)
Cash generated from operations	**20,214**	46,465
PRC income tax paid	**(944)**	(2,341)
Withholding tax paid	**(544)**	(1,038)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**18,726**	43,086
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(19,355)**	(12,569)
Deposits paid to acquire property, plant and equipment	**(942)**	(472)
Addition of prepaid lease payment	**(3,322)**	–
Repayment from an independent third party	**–**	5,000
Withdraw for restricted bank deposits	**(9,597)**	(38,709)
Withdraw from restricted bank deposits	**11,274**	51,468
Proceeds from disposal of property, plant and equipment	**3,857**	610
Interest received	**1,217**	950
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	**(16,868)**	6,278

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017	2016
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Repayment of borrowings	**(88,000)**	(126,412)
New borrowings raised	**82,000**	117,000
Advance from a shareholder	**4,240**	–
Repayment of convertible bonds	**–**	(4,835)
Net proceeds from share placement (note 29)	**57,823**	–
Interest paid	**(3,861)**	(4,465)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**52,202**	(18,712)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**54,060**	30,652
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**109,876**	76,175
Effect of foreign exchange rate changes	**(3,068)**	3,049
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER, represented by cash and bank balances	**160,868**	109,876

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF CONSOLIDATION

Greatime 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) (the "Companies Act") on 8 December 2010. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 24 November 2011. The address of the registered office is located at P.O. Box 3340, Road Town, Tortola, BVI and its principle place of business in Hong Kong is located at Room 4408, 44/F, 183 Queen's Road East, Wan Chai, Hong Kong.

As proposed by the board of directors and approved by a special resolution by the shareholders, the English name of the Company has been changed 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.

The Company and its subsidiaries (the "Group") are engaged in the manufacturing of innerwear products and knitted fabrics. The ultimate holding company of the Company is Junfun Investment Limited ("Junfun"), a limited liability company incorporated in the Cayman Islands.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its subsidiaries which were established and operated in the People's Republic of China (the "PRC"). Other than those subsidiaries established in the PRC, the functional currency of a subsidiary established in Myanmar is denoted in Myanmar Khamed ("MKK").

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle: Amendments to HKFRS 1 and Amendments to HKAS 28[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Investments in Associates and Joint Ventures[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective for annual periods beginning on or after 1 January 2021.

4 Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKFRS 9 (2014) Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 9 (2014) Financial Instruments (continued)

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which aligns hedge accounting more closely with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The directors of the Company have performed a preliminary analysis of the Group's financial instruments as at 31 December 2017 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of the adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) *Classification and measurement*

The directors of the Company expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. The directors of the Company anticipate that the adoption of HKFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

(b) *Impairment*

The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of the adoption of HKFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of HKFRS 9 (2014) will not have other material impact on the amounts reported in the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are sales of goods. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the directors of the Company expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related Interpretations when it becomes effective.

HKFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16.

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

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 16 Leases (continued)

As at 31 December 2017, the group has non-cancellable operating lease commitments of RMB4,961,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The directors of the Company are in the process of determining the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemptions under HKFRS 16. The directors of the Company expect that the adoption of HKFRS 16 will not have material impact on the Group's result but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Company obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss, if any.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve.

Leasing

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Retirement benefits and termination costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probably that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profits or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Cash and bank balances in the consolidated statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and bank balances as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets comprise loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, restricted bank deposits and cash and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Impairment loss of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all the financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment loss of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and bills receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities (including trade and bills payables, accruals and other payables, loan from a shareholder and interest-bearing borrowings) are subsequently measured at amortised cost using the effective interest rate method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Offsetting financial instruments

Financial assets and liabilities of the Group are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Derecognition

A financial asset is derecognised only when contractual rights to the cash flows from the assets expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the assets to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Useful lives and residual values of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment, and if the expectation differs from the original estimate, such a difference may impact the depreciation charged in the year and the estimate will be changed in the future period. As at 31 December 2017, the carrying amount of property, plant and equipment was approximately RMB190,798,000 (2016: RMB199,890,000).

Impairment of inventories

The Group reviews an ageing analysis at the end of each reporting period, and makes impairment for obsolete and slow-moving inventory items. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices. As at 31 December 2017, the carrying amount of inventories was approximately RMB43,497,000 (2016: RMB44,482,000), net of the accumulated impairment losses of inventories approximately RMB2,160,000 (2016: RMB2,160,000).

Impairment of trade and bills receivables and other receivables

The Group makes impairment based on assessment of the recoverability of trade and other receivables. The Group makes its estimates based on the aging of its trade and other receivables balances, debtors' creditworthiness, and historical write-off experience. If the financial condition of its debtors was deteriorated and resulted in an impairment of their ability to make payments, impairment loss may be required. As at 31 December 2017, the carrying amount of trade and bills receivables was approximately RMB41,966,000 (2016: RMB48,306,000), net of allowance for doubtful debts of approximately RMB1,535,000 (2016: RMB39,000). As at 31 December 2017, the carrying amount of other receivables was approximately RMB4,591,000 (2016: RMB5,646,000). For the year ended 31 December 2017, an impairment loss on trade receivables of approximately RMB1,496,000 (2016: nil) was recognised.

Impairment of property, plant and equipment

The impairment loss for property, plant and equipment was recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment are the greater of the fair value less costs to sell and value-in-use. In determining the recoverable amount, use of estimate such as the future revenue and discount rates is required. As at 31 December 2017, the carrying amount of property, plant and equipment was approximately RMB190,798,000 (2016: RMB199,890,000). No impairment loss on property, plant and equipment was made for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Income taxes

As at 31 December 2017, net deferred tax asset of approximately RMB546,000 (2016: RMB502,000), in relation to unused tax losses, unrealised profit on inventories and accelerated tax depreciation, has been recognised in the Group's consolidated statements of financial position. No deferred tax asset has been recognised on tax losses arising in PRC and Hong Kong of approximately RMB57,457,000 (2016: RMB51,699,000) as at 31 December 2017, due to unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Impairment loss on goodwill amounted to RMB1,008,000 had been recognised during the year ended 31 December 2016 and the goodwill was fully impaired as at 31 December 2016 and 2017.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the loan from a shareholder and interest-bearing borrowings as disclosed in note 27, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company regularly review the capital structure. As part of this review, the directors of the Company consider the cost of capital and risks associates with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new shares issues, new borrowings raised or repayment of existing borrowings.

6. FINANCIAL INSTRUMENTS

a. *Categories of financial instruments*

	2017	2016
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**204,458**	163,212
Financial liabilities		
At amortised cost	**147,288**	133,901

b. *Financial risk management objectives and policies*

The Group's major financial instruments include trade and bills receivables, other receivables, restricted bank deposits, cash and bank balances, trade and bills payables, accruals and other payables, loan from a shareholder and interest-bearing borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risk (currency risk and interest rate risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group aims at broadening the customer bases by developing the PRC, Japan and the United States markets for innerwear products. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

As at 31 December 2017, the Group's concentration of credit risk by geographical locations is mainly in Japan and the PRC which accounted for 16% (2016: 6%) and 58% (2016: 80%) respectively of the total receivables.

As at 31 December 2017, the Group has concentration of credit risk as 1% (2016: 1%) and 23% (2016: 52%) of the total trade receivables was due from the Group's largest and five largest customers respectively.

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. *Financial risk management objectives and policies (continued)*

Market risk

Foreign currency risk

The Group has foreign currency sales, which expose the Group to foreign currency risk. During the year ended 31 December 2017, approximately 50% (2016: 61%), of the Group's sales are denominated in United States dollars ("USD") other than the functional currencies of the group entities making the sales, whilst almost 100% (2016: 100%) of costs are denominated in the group entity's respective functional currencies.

Also, certain trade and other receivables, cash and bank balances, other payables and loan from a shareholder are denominated in USD, Renminbi ("RMB") and Hong Kong dollars ("HKD") which are currencies other than the functional currency of the relevant group entities. The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2017 **RMB'000**	2016 RMB'000
Assets		
USD	**7,170**	13,211
HKD	**58,067**	5,903
RMB	**53**	73
Liabilities		
USD	**4,191**	–
HKD	**1,915**	1,552

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. *Financial risk management objectives and policies (continued)*

Market risk (continued)

Foreign currency risk (continued)

Sensitivity analysis

The Group entities are mainly exposed to the fluctuation of USD, RMB and HKD.

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in the functional currency of the relevant group entities against the relevant foreign currencies. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in relevant foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates.

A positive number below indicates a decrease in post-tax loss where the foreign currency strengthens 5% (2016: 5%) against the relevant functional currency. For a 5% (2016: 5%) weakening of the foreign currency against the relevant functional currency, there would be an equal and opposite impact on the profit or loss.

	USD impact (Note a)	
	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Decrease in loss	**112**	495

	HKD impact (Note b)	
	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Decrease in loss	**2,106**	163

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. *Financial risk management objectives and policies (continued)*

Market risk (continued)

Foreign currency risk (continued)

Sensitivity analysis (continued)

	RMB Impact (Note c)	
	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Decrease in loss	**2**	3

Notes:

(a) This is mainly attributable to the exposure on USD denominated cash and bank balances, trade receivables and loan from a shareholder at the end of each reporting period.

(b) This is mainly attributable to the exposure on HKD denominated cash and bank balances, other receivables and other payables at the end of each reporting period.

(c) This is mainly attributable to the exposure on RMB denominated cash and bank balances at the end of each reporting period.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate bank borrowings (note 27) and cash flow interest rate risk in relation to variable-rate interest-bearing restricted bank deposits (note 24), bank balances (note 24) and borrowings (note 27). The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rate offered from the People's Bank of China arising from the Group's interest-bearing borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to interest rates for non-derivative instruments including restricted bank deposits, bank balances and interest-bearing borrowings at the end of the reporting period. The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2016: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 100 basis points (2016: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2017 (2016: post-tax loss) would decrease or increase (2016: increase or decrease) by approximately RMB410,000 (2016: RMB87,000).

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

At 31 December 2017, the Group's remaining maturity for its financial liabilities is mainly within one year from the end of the reporting period. In the opinion of the directors of the Company, the carrying amounts of the financial liabilities are the same as the undiscounted cash flows based on the earliest date on which the Group can be required to pay and therefore, no further analysis is presented in the consolidated financial statements.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (CONTINUED)

b. *Financial risk management objectives and policies (continued)*

Liquidity risk (continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

As at 31 December 2017	**On demand or within one year RMB'000**	**Total undiscounted cash flows RMB'000**	**Carrying amount RMB'000**
Non-derivative financial liabilities			
Trade and bills payables	**45,304**	**45,304**	**45,304**
Accruals and other payables	**15,793**	**15,793**	**15,793**
Loan from a shareholder	**4,191**	**4,191**	**4,191**
Interest-bearing borrowings			
– fixed rate	**40,297**	**40,297**	**40,000**
– variable rate	**43,217**	**43,217**	**42,000**
	148,802	**148,802**	**147,288**

As at 31 December 2016	On demand or within one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities			
Trade and bills payables	31,914	31,914	31,914
Accruals and other payables	13,987	13,987	13,987
Interest-bearing borrowings			
– fixed rate	40,555	40,555	40,000
– variable rate	49,322	49,322	48,000
	135,778	135,778	133,901

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

7. REVENUE

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

	2017	2016
	RMB'000	RMB'000
Innerwear products	**254,009**	237,015
Knitted fabrics	**60,110**	97,282
	314,119	334,297

8. 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

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Year ended 31 December 2017		
	Innerwear products	**Knitted fabrics**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Revenue			
External sales	**254,009**	**60,110**	**314,119**
Inter-segment revenue	**133,902**	**58,872**	**192,774**
Segment revenue	**387,911**	**118,982**	**506,893**
Elimination			**(192,774)**
Group's revenue			**314,119**
Segment loss	**(5,243)**	**(7,635)**	**(12,878)**
Other income			**1,217**
Finance costs			**(3,549)**
Unallocated head office and corporate expenses			**(14,547)**
Loss before tax			**(29,757)**

8. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (continued)

	Year ended 31 December 2016		
	Innerwear products RMB'000	Knitted fabrics RMB'000	Total RMB'000
Revenue			
External sales	237,015	97,282	334,297
Inter-segment revenue	157,913	47,731	205,644
Segment revenue	394,928	145,013	539,941
Elimination			(205,644)
Group's revenue			334,297
Segment profit (loss)	15,103	(7,196)	7,907
Other income			910
Finance costs			(4,720)
Unallocated head office and corporate expenses			(12,216)
Loss before tax			(8,119)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of bank interest 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 prevailing market price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

8. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

	Year ended 31 December 2017		
	Innerwear products RMB'000	Knitted fabrics RMB'000	Total RMB'000
Segment assets	**190,772**	**114,120**	**304,892**
Unallocated assets:			
Property, plant and equipment			**1,043**
Cash and bank balances			**160,868**
Restricted bank deposits			**1,548**
Deferred tax assets			**546**
Prepayments			**305**
Other receivables			**180**
Consolidated assets			**469,382**
Segment liabilities	**47,237**	**18,371**	**65,608**
Unallocated liabilities:			
Other payables			**1,891**
Loan from a shareholder			**4,191**
Income tax payables			**396**
Interest-bearing borrowings			**82,000**
Deferred tax liabilities			**537**
Consolidated liabilities			**154,623**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

8. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

	Year ended 31 December 2016		
	Innerwear products RMB'000	Knitted fabrics RMB'000	Total RMB'000
Segment assets	172,675	144,479	317,154
Unallocated assets:			
Property, plant and equipment			262
Cash and bank balances			109,876
Restricted bank deposits			3,225
Deferred tax assets			502
Prepayments			199
Other receivables			374
Consolidated assets			431,592
Segment liabilities	32,189	16,989	49,178
Unallocated liabilities:			
Other payables			1,627
Income tax payables			1,110
Interest-bearing borrowings			88,000
Deferred tax liabilities			609
Consolidated liabilities			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 operation, prepaid lease payments, prepayments for general operation, 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 operation, loan from a shareholder, income tax payables, interest-bearing borrowings and deferred tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

8. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Year ended 31 December 2017			
	Innerwear products RMB'000	**Knitted fabrics RMB'000**	**Unallocated RMB'000**	**Total RMB'000**
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation and amortisation	**11,152**	**14,348**	**417**	**25,917**
Net gain on disposal of property, plant and equipment	**(70)**	**(153)**	**–**	**(223)**
Impairment loss on trade receivables	**917**	**579**	**–**	**1,496**
Additions of prepaid lease payment	**3,322**	**–**	**–**	**3,322**
Additions to property, plant and equipment	**7,203**	**12,936**	**–**	**20,139**

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:

Bank interest income	**(754)**	**(461)**	**(2)**	**(1,217)**
Finance costs	**2,406**	**1,124**	**19**	**3,549**
Income tax expense	**231**	**–**	**441**	**672**

	Year ended 31 December 2016			
	Innerwear products RMB'000	Knitted fabrics RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation and amortisation	11,690	14,300	288	26,278
Net gain on disposal of property, plant and equipment	(21)	(182)	(33)	(236)
Additions to property, plant and equipment	10,507	2,532	–	13,039

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:

Bank interest income	(793)	(115)	(2)	(910)
Finance costs	2,784	1,541	395	4,720
Income tax expense	3,340	53	1,027	4,420

8. SEGMENT INFORMATION (CONTINUED)

Geographical information

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

	Revenue from external customers		Non-current assets	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Japan	**126,262**	181,254	**–**	–
The PRC (country of domicile)	**155,756**	129,004	**201,408**	210,967
United States	**8,402**	3,553	**–**	–
Others	**23,699**	20,486	**7,548**	927
	314,119	334,297	**208,956**	211,894

Note: Non-current assets excluded deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2017	2016
	RMB'000	RMB'000
Customer A (note (a))	**55,718**	75,035
Customer B (note (a))	**39,403**	66,148
Customer C (note (b))	**19,431**	58,701

Notes:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

9. OTHER INCOME AND GAINS

	2017 **RMB'000**	2016 RMB'000
Bank interest income	**1,217**	910
Interest income on other receivable	**–**	40
Sales of scrap materials	**2,675**	929
Net gain on disposal of property, plant and equipment	**223**	236
Government grants (note)	**163**	459
Exchange gain, net	**–**	582
Others	**131**	125
	4,409	3,281

Note: Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.

10. FINANCE COSTS

	2017 **RMB'000**	2016 RMB'000
Interest on bank loans wholly repayable within five years	**3,861**	4,465
Loss on redemption of convertible bonds	**–**	243
Effective interest expense on convertible bonds (note 28)	**–**	119
Total borrowing costs	**3,861**	4,827
Less: amounts capitalised in the cost of qualifying assets	**(312)**	(107)
	3,549	4,720

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.9% (2016: 5.0%) per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
Current tax:		
PRC Enterprise Income Tax (the "EIT")		
– Provision for the year	–	3,364
– Under- provision in prior years	230	–
Withholding tax	544	1,038
Deferred tax (note 20)	(102)	18
	672	4,420

(a) Overseas income tax

Pursuant to the rules and regulations of the BVI, the BVI subsidiary and the Company are not subject to any income tax in the BVI.

Pursuant to the rules and regulations of Myanmar, the Myanmar subsidiary is subject to income tax at 25%. For the years ended 31 December 2017 and 2016, no provision for Myanmar Corporate Tax had been made as there was no estimated assessable profit derived from the Myanmar subsidiary.

(b) Hong Kong Profits Tax

The applicable tax rate for the subsidiaries incorporated in Hong Kong is 16.5% for the years ended 31 December 2017 and 2016 and no provision for Hong Kong Profits Tax had been made as there was no estimated assessable profit derived from Hong Kong subsidiaries.

(c) EIT

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

11. INCOME TAX EXPENSE (CONTINUED)

(d) Withholding tax

According to the joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui 2008 No. 1, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards.

The tax charge can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 **RMB'000**	2016 RMB'000
Loss before tax	**(29,757)**	(8,119)
Tax at the domestic income rate of 25% (2016: 25%)	**(7,439)**	(2,030)
Tax effect of income not taxable for tax purpose	**(23)**	(41)
Tax effect of expenses not deductible for tax purpose	**3,658**	2,797
Tax effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**513**	1,075
Effect of different tax rates of subsidiaries operating in other jurisdictions	**217**	1,055
Tax effect of tax losses not recognised	**3,643**	2,608
Under-provision in respect of prior years	**230**	–
Utilisation of tax losses previously not recognised	**(127)**	(1,044)
Tax charge for the year	**672**	4,420

Details of deferred tax are set out in note 20.

12. LOSS FOR THE YEAR

	2017 **RMB'000**	2016 RMB'000
Loss for the year has been arrived at after charging (crediting):		
Salaries and other benefits	**84,811**	86,582
Contributions to retirement benefit scheme	**10,990**	9,866
Total staff costs (including directors' emoluments)	**95,801**	96,448
Auditor's remuneration	**751**	763
Amortisation of prepaid lease payments	**389**	298
Cost of inventories recognised as an expense	**261,354**	271,762
Depreciation of property, plant and equipment	**25,528**	25,980
Reversal of impairment on inventories (included in cost of sales)	**–**	(306)
Impairment loss on goodwill (included in administrative expenses)	**–**	1,008
Impairment loss on trade receivables (included in administrative expenses)	**1,496**	–
Loss on redemption of convertible bonds (included in finance costs)	**–**	243
Net exchange loss	**733**	–
Operating lease rentals in respect of rented premises	**2,465**	1,661

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors of the Company were as follows:

For the year ended 31 December 2017

Name of Director	Fees	Salaries and other benefits	Contributions to retirement benefit scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Wang Bin	–	1,013	–	1,013
Ms. Tian Ying	–	1,013	–	1,013
Mr. Lam Tet Foo	–	220	–	220
	–	2,246	–	2,246
Non-executive directors				
Mr. Zhang Yanlin	169	–	–	169
Independent non-executive directors				
Mr. Xu Dunkai	127	–	–	127
Ms. Feng Xin	127	–	–	127
Mr. Hu Quanse	127	–	–	127
	381	–	–	381
Total	550	2,246	–	2,796

13. DIRECTORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2016

Name of Director	Fees	Salaries and other benefits	Contributions to retirement benefit scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Wong Kin Ling (resigned on 12 October 2016)	–	820	12	832
Madam Hung Kin (resigned on 12 October 2016)	–	1,094	12	1,106
Mr. Wang Shao Hua (resigned on 12 October 2016)	–	774	3	777
Mr. Wei Jin Long (Note (b))				
Mr. Feng Yongming (Note (a))	–	104	–	104
Mr. Wang Bin (appointed on 12 October 2016)	–	214	–	214
Ms. Tian Ying (appointed on 12 October 2016)	–	214	–	214
Mr. Lam Tet Foo (appointed on 12 October 2016)	–	178	–	178
	–	3,398	27	3,425
Non-executive directors				
Mr. Wei Jin Long (Note (b))	80	2	3	85
Mr. Zhang Yanlin (appointed on 12 October 2016)	36	–	–	36
	116	2	3	121
Independent non-executive directors				
Mr. Wang Jin Tang (resigned on 12 October 2016)	80	–	–	80
Ms. Tay Sheve Li (resigned on 12 October 2016)	213	–	–	213
Dr. Chan Ah Pun (resigned on 12 October 2016)	141	–	–	141
Mr. Xu Dunkai (appointed on 12 October 2016)	27	–	–	27
Ms. Feng Xin (appointed on 12 October 2016)	27	–	–	27
Mr. Hu Quanse (appointed on 12 October 2016)	27	–	–	27
	515	–	–	515
Total	631	3,400	30	4,061

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

13. DIRECTORS' EMOLUMENTS (CONTINUED)

The amounts above represent emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking. No emoluments were paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

No directors of the Company waived or agreed to waive any emolument paid by the Group during the years ended 31 December 2017 and 2016. No emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2017 and 2016.

The Company does not have any officer with the title of chief executive before the appointment of Ms. Tian Ying mentioned below. The duties of a chief executive are undertaken by Mr. Wong Kin Ling, the then chairman of the board of the directors and his emoluments disclosed above include those for services rendered by him as chairman of the board of the directors and the Chief Executive Officer. He resigned as the executive director from the Group on 12 October 2016.

Ms. Tian Ying was appointed as Chief Executive Officer of the Group on 12 October 2016 and her emoluments disclosed above include those for services rendered by her as the Chief Executive Officer.

Notes:

(a) Mr. Feng Yongming was appointed as an executive director on 30 April 2015 and retired on 23 May 2016.

(b) Mr. Wei Jin Long was re-designated from an executive director to a non-executive director on 23 June 2015 and resigned on 12 October 2016.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2016: three) were directors of the Company whose emoluments are included in the disclosure in note 13 above. The emoluments of the remaining three (2016: two) individual was as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other benefits	**2,767**	1,262
Contributions to retirement benefit scheme	**46**	31
	2,813	1,293

Their emoluments were within the following bands:

	2017 No. of Employees	2016 No. of Employees
Nil to HKD1,000,000 (2017: equivalent to nil to approximately RMB835,000, 2016: equivalent to nil to approximately RMB806,000)	**1**	2
HKD1,000,001 to HKD1,500,000 (2017: equivalent to approximately RMB835,001 to RMB1,266,000, 2016: nil)	**2**	–

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2017 and 2016.

15. DIVIDENDS

No dividend was proposed during the year ended 31 December 2017, nor has any dividend been proposed since the end of the respective period (2016: nil).

16. LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2017 is based on the loss attributable to owners of the Company of approximately RMB30,429,000 (2016: RMB12,539,000) and the weighted average of 429,102,092 ordinary shares (2016: 411,947,330) in issue during the year.

For the years ended 31 December 2016 and 2017, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible loan notes since their exercise would result in a decrease in loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Office Equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST:							
As at 1 January 2016	169,833	15,627	126,077	10,562	7,936	–	330,035
Additions	106	2,709	3,023	454	1,864	4,883	13,039
Disposals	(262)	–	(274)	(84)	(1,785)	–	(2,405)
Exchange adjustments	–	–	3	14	142	–	159
As at 31 December 2016 and 1 January 2017	169,677	18,336	128,829	10,946	8,157	4,883	340,828
Additions	320	2,551	11,516	525	2,152	3,075	20,139
Disposals	–	–	(13,751)	(105)	(261)	–	(14,117)
Exchange adjustments	–	–	(1)	(16)	(140)	–	(157)
As at 31 December 2017	169,997	20,887	126,593	11,350	9,908	7,958	346,693
ACCUMULATED DEPRECIATION:							
As at 1 January 2016	30,131	10,000	62,409	7,681	6,672	–	116,893
Provided for the year	8,521	3,199	12,043	1,416	801	–	25,980
Eliminated on disposals	(33)	–	(198)	(84)	(1,716)	–	(2,031)
Exchange adjustments	–	–	1	9	86	–	96
As at 31 December 2016 and 1 January 2017	38,619	13,199	74,255	9,022	5,843	–	140,938
Provided for the year	8,430	3,180	11,824	1,018	1,076	–	25,528
Eliminated on disposals	–	–	(10,145)	(77)	(261)	–	(10,483)
Exchange adjustments	–	–	(1)	(10)	(77)	–	(88)
As at 31 December 2017	47,049	16,379	75,933	9,953	6,581	–	155,895
CARRYING VALUES:							
As at 31 December 2017	122,948	4,508	50,660	1,397	3,327	7,958	190,798
As at 31 December 2016	131,058	5,137	54,574	1,924	2,314	4,883	199,890

The above items of property, plant and equipment except for construction in progress are depreciated on a straight-line basis according to the following estimated useful lives and after taking into account their estimated residual values, as follows:

Buildings held for own uses	20 years
Leasehold improvements	5 years
Machinery	2 – 10 years
Office equipment	3 – 5 years
Motor vehicles	3 – 5 years

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2017, certain Group's buildings and machinery with an aggregate carrying amounts of approximately RMB73,178,000 (2016: RMB92,949,000) were pledged to secure the bank loans granted to the Group (note 34).

Note:

As at 31 December 2017, the Group was applying for certificates of ownership for buildings with carrying values of approximately RMB7,958,000 (2016: Nil) from the relevant PRC government authorities. In the opinion of the directors of the Company, the absence of formal title to these properties does not impair their values to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

18. GOODWILL

	RMB'000
COST	
At 1 January 2016, at 31 December 2016 and at 31 December 2017	1,008
IMPAIRMENT	
At 1 January 2016	–
Recognised during the year	1,008
At 31 December 2016 and at 31 December 2017	1,008
CARRYING VALUES	
At 31 December 2017	–
At 31 December 2016	–

For the purposes of impairment test, goodwill with indefinite useful lives has been allocated to individual cash-generating unit, being the subsidiary of Win Glory International Manufacturing Company Limited ("Win Glory").

The Group conducted an impairment review on goodwill attributable to the respective cash-generating unit at 31 December 2016 by reference to the estimated recoverable amounts. The recoverable amount of Win Glory had been determined based on a value-in-use calculation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

18. GOODWILL (CONTINUED)

The value-in-use is calculated based on discounted cash flow projection, which is prepared on the basis of financial budget approved by management of Win Glory covering a 5-year period. The growth rate for budget beyond 5-year period is 3%. The growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Pre-tax discount rate of 18% per annum, which represents the risk involved in the business, was used in the calculation of value-in-use of this cash generating unit. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. At 31 December 2016, the directors of the Company assessed the recoverable amount, with reference to the valuation report prepared by APAC Asset Valuation and Consulting Limited, an independent qualified valuer not connected to the Group. Due to loss-making position of business, the directors of the Company considered that the entire amount of goodwill attributable to approximately RMB1,008,000 was irrecoverable. As such, an impairment loss on goodwill of approximately RMB1,008,000 has been recognised during the year ended 31 December 2016.

Goodwill was fully impaired as at 31 December 2016 and 2017.

19. PREPAID LEASE PAYMENTS

	2017 **RMB'000**	2016 RMB'000
Analysed for reporting purposes as:		
Non-current asset	**14,354**	11,532
Current asset	**408**	297
	14,762	11,829

As at 31 December 2017, the Group's prepaid lease payments with an aggregate carrying amount of approximately RMB11,532,000 (2016: RMB11,829,000) were pledged to secure the bank loans granted to the Group (note 34).

20. DEFERRED TAXATION

The following is the analysis of the deferred tax asset (liabilities), after set off certain deferred tax assets against deferred tax liabilities of the same taxable entity:

	2017 **RMB'000**	2016 RMB'000
For financial reporting purpose:		
Deferred tax assets	**546**	502
Deferred tax liabilities	**(537)**	(609)
	9	(107)

20. DEFERRED TAXATION (CONTINUED)

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Unrealised profit on inventories	Withholding tax on undistributed profit of subsidiaries in the PRC	Tax losses	Accelerated tax depreciation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	80	(572)	460	(96)	(128)
Credited (charged) to profit or loss for the year	28	(37)	–	(9)	(18)
Exchange difference	–	–	39	–	39
As at 31 December 2016 and at 1 January 2017	108	(609)	499	(105)	(107)
Credited (charged) to profit or loss for the year	71	31	–	–	102
Exchange difference	–	41	(34)	7	14
As at 31 December 2017	179	(537)	465	(98)	9

As at 31 December 2017, the Group has unused PRC and Hong Kong tax losses of approximately RMB60,274,000 (2016: RMB54,721,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of Hong Kong tax losses approximately RMB2,817,000 (2016: RMB3,022,000) of such losses as at 31 December 2017. No deferred tax asset has been recognised in respect of the remaining Hong Kong tax losses of approximately RMB4,194,000 (2016: RMB3,626,000) and PRC tax losses of approximately RMB53,263,000 (2016: RMB48,073,000) due to unpredictability of future profit streams. All the unrecognised PRC tax losses as at 31 December 2017 will expire in 2018 to 2021. Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB1,532,000 (2016: RMB1,532,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible differences can be utilised.

No deferred tax has been provided in the consolidated financial statements for the year ended 31 December 2017, in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB195,429,000 (2016: RMB219,430,000) as the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

21. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**16,706**	15,448
Work-in-progress	**20,687**	20,539
Finished goods	**6,104**	8,495
	43,497	44,482

During the year ended 31 December 2016, inventories of approximately RMB306,000 (2017: nil) which was fully impaired in prior years were sold at a consideration above RMB306,000 (2017: nil). As a result, reversal of impairment on inventories of approximately RMB306,000 (2017: nil) was recognised.

22. TRADE AND BILLS RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade and bills receivables	**43,501**	48,345
Less: allowance for doubtful debts	**(1,535)**	(39)
	41,966	48,306

The Group allows an average credit period of 30 to 90 days to its trade customers. As at 31 December 2017, the Group have bills receivables of RMB600,000 (2016: nil) were pledged to secure the bills payables granted to the Group (note 34).

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

	2017 RMB'000	2016 RMB'000
0 – 30 days	**32,335**	18,783
31 – 60 days	**3,070**	2,097
61 – 90 days	**1,053**	4,444
Over 90 days	**4,908**	22,982
	41,366	48,306

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balances of approximately RMB1,535,000 (2016: RMB39,000) due to long outstanding and unsatisfactory repayment record.

The movement in the allowance for doubtful debts is set out below:

	2017 RMB'000	2016 RMB'000
At the beginning of the year	**39**	39
Impairment loss recognised on trade receivables	**1,496**	–
At the end of the year	**1,535**	39

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB4,927,000 (2016: RMB28,928,000) which are past due as at the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in credit quality and these balances are still considered recoverable.

The aging of trade receivables based on payment due date is as follows:

			Past due but not impaired		
	Total	**Neither past due nor impaired**	**Less than 30 days**	**31 – 120 days**	**Over 120 Days**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2017	41,366	36,439	4,527	186	214
31 December 2016	48,306	19,378	1,332	15,497	12,099

The Group's trade receivables that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2017 RMB'000	2016 RMB'000
USD	**2,630**	2,849

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

23. PREPAYMENTS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Non-current asset:		
Prepayments	**2,862**	–
Current assets:		
Prepayments	**6,493**	3,129
Advance to suppliers	**509**	4,235
Other receivables	**4,591**	5,646
	14,455	13,010

The Group has individually assessed all other receivables and no impairment loss was recognised during the years ended 31 December 2017 and 2016. All other receivables were neither past due nor impaired.

The Group's other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2017 RMB'000	2016 RMB'000
HKD	**314**	281
USD	**–**	304

24. RESTRICTED BANK DEPOSITS/CASH AND BANK BALANCES

Restricted bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately RMB1,548,000 (2016: RMB3,225,000) have been pledged to secure the short-term bills payables and are therefore classified as current assets. During the year ended 31 December 2017, the balances carried interest at average market rates from 1.10% to 1.30% (2016: 1.10% to 1.37%) per annum and will be released upon the completion of bills payable transactions. The carrying amounts of the Group's restricted bank deposits are denominated in RMB.

Bank balances carried interest at average market rates from 0.001% to 0.35% (2016: 0.001% to 0.3%) per annum.

The Group's cash and bank balances that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2017 RMB'000	2016 RMB'000
USD	**4,540**	10,058
HKD	**57,753**	5,622
RMB	**53**	73
Euro	**1**	20
Pound sterling	**5**	5
	62,352	15,778

25. TRADE AND BILLS PAYABLES

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

	2017 RMB'000	2016 RMB'000
0 – 30 days	**32,689**	20,414
31 – 90 days	**10,781**	9,396
91 – 180 days	**1,211**	1,044
Over 180 days	**623**	1,060
	45,304	31,914

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

The bills payables are secured by restricted bank deposits and bills receivables. Details are disclosed in note 34.

26. ACCRUALS AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Payroll and welfare payables	**11,359**	11,143
Other tax payables	**3,472**	3,066
Other payables	**4,434**	2,844
	19,265	17,053

Included in the accruals and other payables of approximately RMB213,000 (2016: RMB698,000) represents accrued remuneration for directors as at 31 December 2017. The amounts are unsecured, non-interest bearing and repayable on demand.

The Group's accruals and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2017 RMB'000	2016 RMB'000
HKD	**1,915**	1,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

27. INTEREST-BEARING BORROWINGS

	2017	2016
	RMB'000	RMB'000
Bank borrowings – secured	**82,000**	88,000

Based on the scheduled payment dates set out in the loan agreements, all outstanding bank borrowings are within one year and repayable on demand.

As at 31 December 2017, secured bank loans with carrying amount of approximately RMB82,000,000 (2016: RMB88,000,000) were secured by prepaid lease payments, buildings and machinery of the Group. Details are disclosed in note 34.

The effective interest rate per annum at the end of the reporting periods ranged from:

	2017		2016	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Variable rate borrowings	**4.95%**	**42,000**	4.57% – 6.18%	48,000
Fixed rate borrowings	**4.99% – 5.03%**	**40,000**	5.00% – 5.05%	40,000
		82,000		88,000

As at 31 December 2017 and 2016, the carrying amounts of the Group's borrowings are denominated in RMB.

28. 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.

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

	Liability Component	**Derivative Component**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2016	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 finance costs)	330	(87)	243
Exchange realignment	(2)	–	(2)
At 31 December 2016 and at 31 December 2017	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

29. SHARE CAPITAL

	Number of shares	Amount RMB'000
Ordinary share without par value		
Authorised:		
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	1,000,000,000	N/A

	Number of shares	Amount RMB'000
Issued and fully paid:		
At 1 January 2016, 31 December 2016, 1 January 2017	411,947,330	91,106
Issue of shares upon share placing (note)	82,388,000	57,823
At 31 December 2017	494,335,330	148,929

Note: On 17 October 2017, pursuant to a resolution passed by shareholders, the Company issued additional 82,388,000 shares at an issue price of HK$0.85 each. Transaction cost directly attributable to the share placement amounted to approximately RMB589,000.

All the ordinary shares issued during the year ended 31 December 2017 rank pari passu with the then existing shares in all respects.

30. LOAN FROM A SHAREHOLDER

The amount is unsecured, non-interest-bearing, and repayable on demand. The loan is denominated in USD.

31. SHARE-BASED PAYMENT

On 19 August 2011, the Company has adopted a share option scheme (the "Scheme") for the primary purpose of providing incentives to directors of the Company, eligible employees and other selected participants and will expire on 18 August 2021. Under the Scheme, the directors of the Company may, at their discretion, invite i) employees of the Company and its subsidiaries; ii) non-executive directors of the Company and its subsidiaries; iii) suppliers of goods or services to the Company and its subsidiaries; iv) customers of the Company and its subsidiaries; v) any person or entity that provides research, development or other technological support to the Company and its subsidiaries; vi) any shareholder of the Company and its subsidiaries; vii) adviser or consultant to any area of business or business development of the Company and its subsidiaries; and viii) other group or classes of participants who have contributed or may contribute by way of joint ventures, business alliance or other business arrangement to the growth of the Company and its subsidiaries to take up options to subscribe for shares. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the issued shares on the day on which the trading of the shares of the Company commence on the Stock Exchange such limit may be refreshed subject to the shareholders' approval.

No share option was granted under the Scheme for the years ended 31 December 2017 and 2016.

32. OPERATING LEASES ARRANGEMENTS

The Group as leasee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 **RMB'000**	2016 RMB'000
Within one year	**2,438**	2,202
In the second to fifth year, inclusive	**2,523**	2,151
	4,961	4,353

Operating lease payments represent rentals payable by the Group for certain of its office properties and factories. Leases are negotiated and rentals are fixed for one to five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

33. CAPITAL COMMITMENTS

	2017 RMB'000	2016 RMB'000
Amount contracted for but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	–	5,762

34. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure bills payables (note 25) to suppliers and bank borrowings (note 27) of the Group at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
Prepaid lease payments	11,532	11,829
Buildings	66,332	84,484
Machinery	6,846	8,465
Restricted bank deposits	1,548	3,225
Bills receivables	600	–
	86,858	108,003

35. RETIREMENT BENEFIT SCHEMES

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the schemes are held separately from those of the Group, in independently administered funds. Monthly contributions made by the subsidiaries are calculated based on certain percentages of the applicable payroll costs or fixed sums as stipulated under the relevant requirements, as appropriate. The employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,500 and they can choose to make additional contributions. The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

The total cost charged to profit or loss of approximately RMB10,990,000 (2016: RMB9,866,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

36. MATERIAL RELATED PARTY TRANSACTIONS

(i) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management during the year was as follows:

	2017 **RMB'000**	2016 RMB'000
Short-term benefits	**8,056**	6,676
Post-employment benefits	**92**	90
	8,148	6,766

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

(ii) Loan from a shareholder

During the year ended 31 December 2017, Junfun Investment Limited, the beneficial owner of the Company, has advanced USD640,000 (equivalent to approximately RMB4,191,000 as at 31 December 2017) to the Group, which is unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2017, the Group has total addition of property, plant and equipment amounting to approximately RMB20,139,000 (2016: RMB13,039,000), out of which approximately RMB472,000 (2016: RMB363,000) was settled by the deposit paid in year ended 31 December 2016.

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	1 January 2017	Financing cash flows	Finance cost Incurred	Foreign exchange movement	31 December 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing borrowings (note 27)	88,000	(6,000)	–	–	82,000
Accrued interest	–	(3,861)	3,861	–	–
Loan from a shareholder (note 30)	–	4,240	–	(49)	4,191
Total	88,000	(5,621)	3,861	(49)	86,191

39. PRINCIPAL SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2017 and 2016 are as follows:

Name	Place of incorporation/ registration and operations	Class of shares held	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Proportion of voting power held by the Company		Principal activities
				Indirectly 2017	Indirectly 2016	**2017**	2016	
Grand Concord Holdings Group Limited	BVI	Ordinary	USD1	**100%**	100%	**100%**	100%	Investment holding
Grand Concord Trading Limited 廣豪貿易有限公司	Hong Kong	Ordinary	HKD2	**100%**	100%	**100%**	100%	Investment holding
Grand Concord Garment (Hong Kong) Limited 廣豪服飾（香港）有限公司	Hong Kong	Ordinary	HKD1	**100%**	100%	**100%**	100%	Trading of garments
Zhucheng Eternal Knitting Co., Limited 諸城裕泰針織有限公司 (notes (a) and (b))	The PRC	Ordinary	USD2,300,000	**100%**	100%	**100%**	100%	Manufacture of innerwear
Zhucheng Yumin Knitting Co., Limited 諸城裕民針織有限公司 (notes (a) and (b))	The PRC	Ordinary	USD5,600,000	**100%**	100%	**100%**	100%	Manufacture of fabrics, provision of fabric weaving knitting, printing and dyeing services
Shandong Shundu International Trading Limited 山東順都國際貿易有限公司 (previously known as 山東廣豪服飾有限公司) (notes (a) and (b))	The PRC	Ordinary	USD1,500,000	**100%**	100%	**100%**	100%	Trading of garments (2015: manufacture of innerwear and garments)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

39. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and operations	Class of shares held	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Proportion of voting power held by the Company		Principal activities
				Indirectly 2017	Indirectly 2016	**2017**	2016	
Zhucheng Yuan Knitting Co., Limited 諸城裕安針織有限公司 (notes (a) and (b))	The PRC	Ordinary	RMB5,000,000	**100%**	100%	**100%**	100%	Manufacture of innerwear and garments
Win Glory (note 30)	Myanmar	Ordinary	MMK63,750,000	**100%**	100%	**100%**	100%	Manufacturing of garments

Notes:

(a) The entity is wholly foreign owned enterprise established in the PRC.

(b) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	**2017 RMB'000**	2016 RMB'000
Non-current assets			
Property, plant and equipment		**1,042**	23
Unlisted investments in subsidiaries		**28,071**	28,071
		29,113	28,094
Current assets			
Prepayments and other receivables		**106**	450
Amounts due from subsidiaries	(a)	**60,613**	68,045
Bank balances and cash		**58,209**	2,270
		118,928	70,765
Current liabilities			
Accruals and other payables		**1,796**	1,527
Loan from a shareholder (note 30)		**4,191**	–
		5,987	1,527
Net current assets		**112,941**	69,238
Total assets less current liabilities		**142,054**	97,332
Capital and reserves			
Share capital (note 29)		**148,929**	91,106
Reserves	(b)	**(6,875)**	6,226
Total equity		**142,054**	97,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Notes:

(a) Amounts due from subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand.

(b) Movement in the Company's reserves

	Other reserve	**Accumulated losses**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2016	27,988	(17,177)	10,811
Loss and total comprehensive expense for the year	–	(4,585)	(4,585)
At 31 December 2016 and 1 January 2017	27,988	(21,762)	6,226
Loss and total comprehensive expense for the year	–	(13,101)	(13,101)
At 31 December 2017	27,988	(34,863)	(6,875)

Note: Other reserve represented the difference between the nominal value of the shares of the Company issued and net asset values of Grand Concord Trading Limited upon group reorganisation undertook in 2011.