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

2018 Annual Report

CONTENTS

ANNUAL REPORT 2018

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Wang Bin
Ms. Tian Ying
Mr. Du Shuwei (appointed on 1 November 2018)

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

KEY FINANCIAL INFORMATION FOR THE LAST FIVE YEARS

	For the year ended 31 December/As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Key Financial Information					
Revenue	**347,196**	314,119	334,297	389,317	453,476
Gross profit	**66,553**	47,892	62,841	75,179	111,497
(Loss) profit before tax	**(19,697)**	(29,757)	(8,119)	(1,915)	41,527
(Loss) profit for the year	**(20,093)**	(30,429)	(12,539)	(6,954)	25,671
Total comprehensive (expense) income for the year	**(18,877)**	(34,132)	(9,546)	(7,461)	25,666
Non-current assets	**214,518**	209,502	212,396	226,787	237,183
Current assets	**275,686**	259,880	219,196	258,097	216,206
Current liabilities	**193,621**	154,086	139,915	183,698	183,353
Net current assets (liabilities)	**82,065**	105,794	79,281	74,399	32,853
Total assets	**490,204**	469,382	431,592	484,884	453,389
Total assets less current liabilities	**296,583**	315,296	291,677	301,186	270,036
Total equity	**296,114**	314,759	291,068	300,614	270,036
Cash and cash equivalents	**147,664**	160,868	109,876	76,175	51,925
Key Financial Ratios					
Gross profit margin	**19.2%**	15.2%	18.8%	19.3%	24.6%
Net profit margin	**–**	–	–	–	5.7%
Gearing ratio[1]	**24.7%**	17.5%	20.4%	20.1%	19.5%
Current ratio	**1.4**	1.7	1.6	1.4	1.2
Trade receivables turnover days	**44**	52	71	76	61
Inventory turnover days	**65**	60	69	66	63

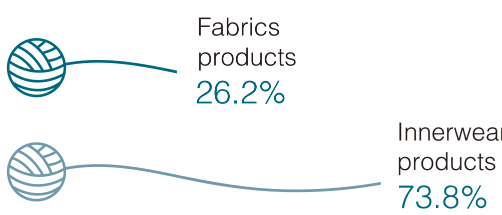
Note:

1 Gearing ratio represents the ratio between total interest-bearing borrowings and total assets.

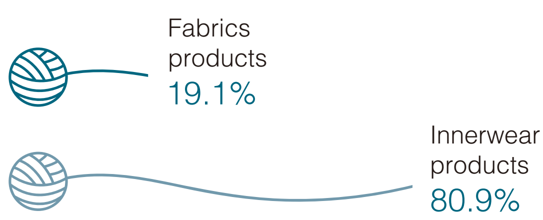
REVENUE OF THE GROUP ANALYSED BY PRODUCT CATEGORIES

	For the year ended 31 December			
	2018		2017	
	RMB'000		RMB'000	
Revenue of the Group by products				
Fabrics products	**91,085**	**26.2%**	60,110	19.1%
Innerwear products	**256,111**	**73.8%**	254,009	80.9%
Total	**347,196**	**100%**	314,119	100%

2018



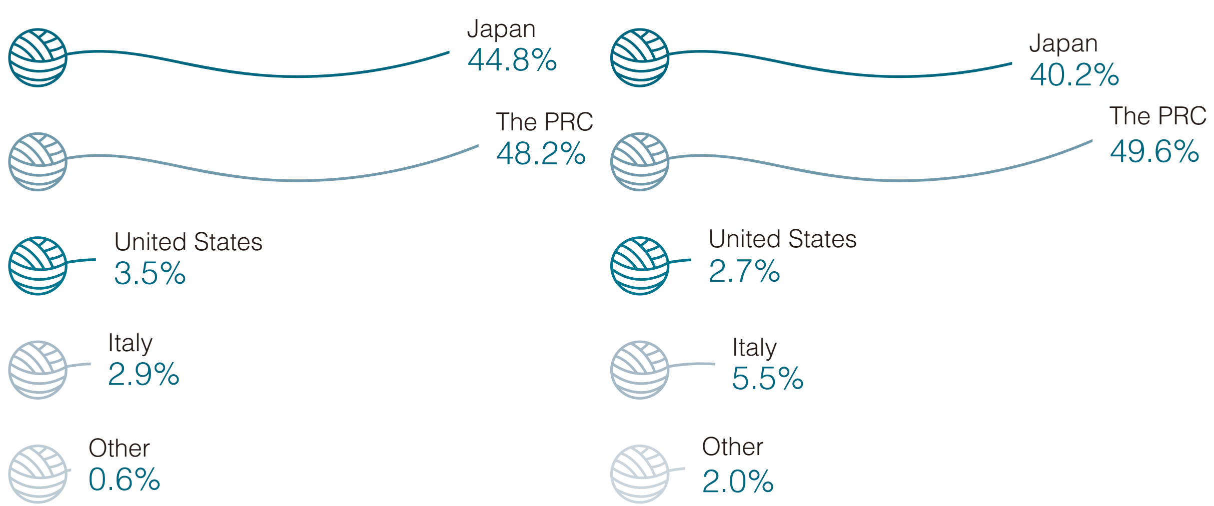
2017



REVENUE OF THE GROUP ANALYSED BY REGIONAL DISTRIBUTION

	For the year ended 31 December			
	2018		2017	
	RMB'000		RMB'000	
Revenue of the Group by regional distribution				
Japan	**155,499**	**44.8%**	126,262	40.2%
The PRC	**167,262**	**48.2%**	155,756	49.6%
United States	**12,200**	**3.5%**	8,402	2.7%
Italy	**10,156**	**2.9%**	17,270	5.5%
Others	**2,079**	**0.6%**	6,429	2.0%
Total	**347,196**	**100%**	314,119	100%

2018 **2017**



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 2018 (the "Year under Review").

During the Year under Review, the Group recorded a turnover of approximately RMB347.2 million, representing an increase of approximately 10.5% as compared with that of 2017. The loss attributable to shareholders of the Group also decreased to approximately RMB20.1 million. Gross profit increased by approximately 39.0% to approximately RMB66.6 million. Gross profit margin increased to approximately 19.2%. The turnover of knitted fabrics and innerwear products were RMB91.1 million and RMB256.1 million respectively.

Looking at the major events affecting the Chinese economy in 2018, the Sino-U.S. trade war undoubtedly dominated the news headlines. In the first half of 2018, benefiting from the economic recovery in Europe and the U.S., picking up of overseas consumption and the positive and steady growth in the Chinese economy, every industry recorded positive growth. However, in the second half of the year, the impacts of the Sino-U.S. trade friction were gradually emerging, alongside with the increasingly complicated macro environment at home and abroad, the global financial market was highly volatile. According to the statistics published by National Bureau of Statistics of China, the China Manufacturing Purchasing Managers' Index (the "PMI") for December was 49.4%, down by 0.6 percentage point quarter-on-quarter, marking the only month where the PMI fell below 50% this year as well as a three-year low. This indicates the Chinese economy is taking its way down.

In recent years, despite that China's textile industry continues to expand, the growth of industrial value-added has fallen quickly. In 2017, the industrial value added of sizable textile enterprises grew by 4% year-on-year, down by 1.5 percentage points. In 2018, the industrial value added of sizable textile enterprises only increased by 0.2% year-on-year. The slowdown was worrying. The industry prospect remains very challenging.

The Group believes that there will be extremely high uncertainties in the global trade policies. Even though textile products are goods with rigid demand, an extremely severe business environment will still lie ahead. In face of an evolving market, the Group has been keeping a prudent eye on the trends, actively making adjustment to the production capacity of its factories in various regions and seeking projects with high investment and development potential other than its principal business to balance the operational risks. Among which, the Group has an early start as it began to set foot along the belt and road countries. The sales revenue of Win Glory International Manufacturing Company Limited ("Win Glory"), a company wholly owned by the Group in Myanmar, remained stable, contributing as much as approximately RMB9 million of the total revenue of the Group during the Year under Review. At the same time, the Group also 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. The Group is confident that the business in Myanmar will become an important cornerstone for the Group's long-term and sustainable profitability. The Group is also actively seeking new investment projects. Through diversifying its business mix, Group will fully capture the market opportunities to achieve sustainable development.

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 support. We will make unremitted efforts to create reasonable values for our shareholders.

Chairman
Wang Bin

26 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

According to the economic figures published by the National Bureau of Statistics of China in 2018, the gross domestic product of China throughout the year amounted to RMB90 trillion, up by 6.6% over the previous year. Despite meeting the expected growth target of 6.5% set by the Chinese government at the beginning of the year, it marked the lowest economic growth in China in 28 years. Based on quarterly analysis, the economic growth even gradually slowed down from a quarter-on-quarter increase of 6.8% to only 6.4% in the fourth quarter. The figures showed signs of slowdown of the Chinese economy.

In recent years, China's textile industry also revealed a significant slowdown in its growth. Especially in 2018, the uncertainties brought by the Sino-U.S. trade friction, rising trade protectionism in the international market, Renminbi exchange rate fluctuations, growing costs of production including labour cost and increasingly stringent requirements on environmental protection in various countries had a far-reaching impact on the industry development. Based on the statistics published by China Customs, the textile clothing exports of China throughout the year of 2018 only met the breakeven point and the cumulative gross exports of textile clothing of China from January to December amounted to US$276.731 billion. However, taking into account the U.S. government's stance to impose a tariff of 10% on US$200 billion of Chinese products in 2019 will remain unchanged, it is expected the exports of the Chinese textile clothing in 2019 will continue to be unoptimistic.

On the contrary, in the PRC market, despite that the domestic demand continued to play a key role to support the industry, the relevant markets in the southeast Asian countries continued to grow rapidly, leading to a shift in production capacity from China to overseas countries. Currently, many textile enterprises in China have begun the expansion of production capacity overseas taking into account the rising cost of labour in China, which weakens the cost advantage of the manufacturing industry, whereas the labour force in the southeast Asian and south Asian countries becomes more competitive cost-wise. In the medium- to long-term, the trend of overseas expansion of production capacity among Chinese enterprises will continue. Given the internal and external issues, the Group expects China's textile industry will face great challenges and will remain prudent toward its future development.

BUSINESS REVIEW

For the year ended 31 December 2018 (the "Year under Review"), the Group continued to play the role as an original equipment manufacturer (the "OEM") underwear supplier of a number of major international clothing brands with established plants in China and Myanmar for production, targeting China and Japan as the major markets. The Group revenue recorded an increase of 10.5% to approximately RMB347.2 million (2017: RMB314.1 million), resulting in a loss of approximately RMB19.7 million (2017: loss of RMB29.8 million). During the Year under Review, the Group's revenue from knitted fabrics was approximately RMB91.1 million and the revenue from innerwear products was approximately RMB256.1 million.

The main reasons accounting for the loss were the muted performance in the Chinese market and the shrinkage of demand in the Japanese functional innerwear market from its peak earlier. In March 2018, the Japanese Cabinet formally approved the Chemical Substances Assessment Law and Manufacturing Regulations reported to the World Trade Organisation ("WTO") earlier, therefore, it is expected that the restrictions on the entry of textile products into Japan will be increased. As one of the largest markets for the Group's functional innerwear, the policy may bring challenges to the Group in further developing its functional innerwear market in Japan.

During the Year under Review, the Group continued to export garments to major export markets including Japan, U.S. and Europe. The revenue generated from the export of garment amounted to RMB179.9 million, representing 51.8% of the Group's total revenue. Furthermore, in order to reinforce the business foundation and maintain reasonable gross margins, the Group has been exploring new markets of fabrics and innerwear products and initiating more business measures, such as seeking strategic partnerships with customers in the Association of Southeast Asian Nations ("ASEAN") region to ensure timely response to the transformation of market trend.

In early years, the Group has set foot in Myanmar for business development in response to the Belt and Road Initiative (the "BRI") of the Chinese government and actively seized the enormous opportunities along the Belt and Road. During the Year under Review, the Group's wholly-owned subsidiary, Win Glory International Manufacturing Company Limited ("Win Glory") maintained a stable sales revenue, contributing approximately RMB9.0 million (before elimination of intra-group transactions) to the total revenue of the Group. Meanwhile, the Group has paid 30 years' rent for another piece of land in Myanmar earlier to further expand its garment businesses and the operation of the land remained stable.

As one of the ASEAN members, in recent years, Myanmar has been active in carrying out fundamental political and economic reforms after being a closed country for years. The fundamentals are picking up and the economic strength is catching up. At the same time, Myanmar has a huge population and favourable geographical location with relatively low costs of labour, thus offering attractive potential for corporate development. In view of this, the Group will continue to expand the production business in Myanmar in order to release its commercial potential and further mobilise the development of textile and garment industry in Myanmar through committing a series of trading and commercial activities in achieving a win-win situation.

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 2018, with corresponding comparative figures for the year ended 31 December 2017:

	Year ended 31 December			
	2018		2017	
	RMB'000	**%**	RMB'000	%
Knitted fabrics	**91,085**	**26.2**	60,110	19.1
Innerwear products	**256,111**	**73.8**	254,009	80.9
Total	**347,196**	**100.0**	314,119	100.0

For the year ended 31 December 2018, the Group recorded a revenue of approximately RMB347.2 million (2017: RMB314.1 million), representing an increase of approximately RMB33.1 million, or approximately 10.5%. The sales volume of knitted fabrics and innerwear products for the year ended 31 December 2018 were approximately 3,295 tons and 17.5 million pieces respectively (2017: approximately 2,146 tons and 18.1 million pieces respectively). The increase of revenue was mainly due to the increase in sales of knitted fabrics products from approximately RMB60.1 million in 2017 to approximately RMB91.1 million in 2018.

Sales of knitted fabrics amounted to approximately RMB91.1 million (2017: RMB60.1 million) representing approximately 26.2% (2017: 19.1%) of the total revenue for the year ended 31 December 2018. The increase in sales of knitted fabrics was mainly due to the efforts of the sales team on expanding the customer base. The sales volume of knitted fabrics increase by approximately 53.5% to approximately 3,295 tons for the year ended 31 December 2018 (2017: 2,146 tons). The knitted fabrics were mainly distributed to branded customers in China. For the year ended 31 December 2018, the Group took up more orders on fabric knitting, the sales of fabric knitting increased from approximately RMB34.1 million in 2017 to approximately RMB59.8 million in 2018, where the sale of fabric sub-contracting process increased from approximately RMB26.0 million in 2017 to approximately RMB31.2 million in 2018. The overall revenue contributed by knitted fabrics was therefore increased by RMB31 million to RMB91.1 million for the year ended 31 December 2018.

Sales of innerwear products amounted to approximately RMB256.1 million (2017: RMB254.0 million), representing approximately 73.8% (2017: 80.9%) of the total revenue for the year ended 31 December 2018. The performance of innerwear products was relatively steadier. An increase in sales of innerwear products in the amount of approximately RMB2.1 million was recorded for the year ended 31 December 2018. The sales volume of innerwear products slightly decreased from approximately 18.1 million pieces for the year ended 31 December 2017 to approximately 17.5 million pieces for the year ended 31 December 2018, representing a decrease by 3.3%. The average unit selling price of innerwear products increased by 4.3% from RMB14.0 per piece in 2017 to approximately RMB14.6 per piece in 2018, which resulted a slight increase in sales of innerwear products for the year ended 31 December 2018.

Cost of sales

Cost of sales increased by approximately 5.4% from approximately RMB266.2 million for the year ended 31 December 2017 to approximately RMB280.6 million for the year ended 31 December 2018. The average unit production costs of innerwear products of the Group for the year ended 31 December 2018 decreased when compared to the unit production cost for the year ended 31 December 2017. The increase in the overall cost of sales was mainly due to the increase in cost of sales of knitted fabrics products from RMB58.7 million for the year ended 31 December 2017 to RMB85.1 million for the year ended 31 December 2018.

Gross profit and gross profit margin

Gross profit increased by approximately RMB18.7 million, or approximately 39.0%, from approximately RMB47.9 million for the year ended 31 December 2017 to approximately RMB66.6 million for the year ended 31 December 2018. The Group's gross profit margin increased from approximately 15.2% for the year ended 31 December 2017 to approximately 19.2% for the year ended 31 December 2018 mainly due to the increase in the average unit selling price and decrease in average unit production cost of the Group's products.

The Group's gross profit and gross profit margins by knitted fabrics and innerwear products for the year ended 31 December 2018, with corresponding comparative figures for the year ended 31 December 2017, are as follows:

	Year ended 31 December			
	2018		2017	
	Gross profit RMB'000	**Gross profit margins %**	Gross profit RMB'000	Gross profit margins %
Knitted fabrics	**5,966**	**6.5**	1,439	2.4
Innerwear products	**60,587**	**23.7**	46,453	18.3
Total	**66,553**	**19.2**	47,892	15.2

Other income and other gains

Other income and other gains amounted to approximately RMB7.3 million (2017: RMB4.4 million) for the year ended 31 December 2018 which were mainly net exchange gain, interest income and sales of scarp materials. The increase in other income and other gains was mainly due to the increase in net exchange gain. For the year ended 31 December 2018, net exchange gain of RMB2.0 million was recorded (2017: net loss of RMB0.7 million). The increase in net exchange gain is mainly due to the appreciation of RMB against other foreign currencies in the year end 31 December 2018.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB1.7 million to approximately RMB11.6 million (2017: RMB9.9 million) for the year ended 31 December 2018. 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 sales of the Group's product in 2018.

Administrative expenses

Administrative expenses increased to approximately RMB77.5 million (2017: RMB68.6 million) for the year ended 31 December 2018. The increase in the administrative expenses was mainly due to the increase in the salaries and staff benefits, which included directors and staff salaries, social welfare and pension expenses and the increase of loss on disposal and loss on written off of property, plant and equipment. Salaries and staff benefits increased from RMB40.9 million for the year ended 31 December 2017 to RMB45.0 million for the year ended 31 December 2018. Such increase was mainly due to the increase in salaries to management personnel to better manage the subsidiaries of the Group. There was a loss on disposal and loss on written off of property, plant and equipment of RMB0.8 million and RMB2.1 million respectively for the year ended 31 December 2018 (2017: gain on disposal of RMB0.2 million and nil).

Finance costs

Finance costs increased to approximately RMB4.5 million (2017: RMB3.5 million) for the year ended 31 December 2018, primarily due to the increase in average bank borrowing during the year ended 31 December 2018.

Loss before tax

The Group's loss before tax was approximately RMB19.7 million (2017: RMB29.8 million) for the year ended 31 December 2018 primarily due to the increase in revenue, gross profit. The gross profit of fabrics products and innerwear products increased from RMB1.4 million and RMB46.5 million, respectively for the year ended 31 December 2017 to RMB6.0 million and RMB60.6 million, respectively for the year ended 31 December 2018. The administrative expenses increased by RMB8.9 million to RMB77.5 million for the year ended 31 December 2018 (2017: RMB68.6 million).

Income tax expense

Income tax expense decreased to approximately RMB0.4 million (2017: RMB0.7 million) for the year ended 31 December 2018. The Group's effective tax rate for the year ended 31 December 2018 was approximately negative 2.0%, as compared to approximately negative 2.4% for the year in 2017.

Loss for the year and loss margin

The Group's loss for the year decreased by approximately RMB10.3 million, from approximately a loss of RMB30.4 million for the year ended 31 December 2017, to a loss of approximately RMB20.1 million for the year ended 31 December 2018. The decrease in the loss was mainly due to the increase in gross profit of approximately RMB18.7 million for the year ended 31 December 2018 as mentioned in the above paragraphs.

Inventories

The inventory balances increased to approximately RMB56.6 million as at 31 December 2018 (2017: RMB43.5 million).

The average inventory turnover days increased to approximately 65 days (2017: 60 days) for the year ended 31 December 2018.

Trade and bills receivables

Trade and bills receivables sightly increased to approximately RMB42.2 million (2017: RMB42.0 million) as at 31 December 2018.

The average trade receivables turnover days decreased to approximately 44 days (2017: 52 days) for the year ended 31 December 2018 as the management team better manage the collection of trade receivables in 2018. The trade receivables turnover days still fell within the credit terms granted to the customers of the Group.

Trade and bills payables

Trade and bills payables increased to approximately RMB46.3 million (2017: RMB45.3 million) as at 31 December 2018. The average turnover days for trade payables increased to approximately 60 days (2017: 53 days) for the year ended 31 December 2018 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 2018, the Group's current ratio (calculated as current assets divided by current liabilities) was 1.42 (as at 31 December 2017: 1.69). As at 31 December 2018, the Group had cash and cash equivalents of approximately RMB147.7 million (as at 31 December 2017: RMB160.9 million) and short-term bank loans of approximately RMB121.0 million (as at 31 December 2017: RMB82.0 million). As at 31 December 2018, 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 24.7%, as compared to approximately 17.5% as at 31 December 2017.

As at 31 December 2018, the Group had fixed rate bank loans of RMB48.0 million (2017: RMB40.0 million) and variable rate bank loans of approximately RMB73.0 million (2017: RMB42.0 million). The effective interest rate on the Group's fixed rate bank borrowings ranged from 4.35% to 4.80%, and the effective interest rate for the Group's variable rate bank borrowings was 5.17% to 5.22% per annum as at 31 December 2018 (2017: fixed rate: 4.99% to 5.03%; variable rates: 4.95% 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 pledged 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 pledged 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 loan from a shareholder 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 2018, the Group had no material contingent liabilities.

Charges on group assets

As at 31 December 2018, the Group's bank loans were secured by the Group's bank deposits, buildings, land use rights and machinery of carrying amounts of approximately RMB20.0 million, RMB78.6 million, RMB11.2 million and nil, respectively (as at 31 December 2017: nil, RMB66.3 million, RMB11.5 million and RMB6.8 million, respectively). As at 31 December 2018, the Group had not pledged its bank deposits (as at 31 December 2017: RMB1.5 million) to secure short-term bills payables.

HUMAN RESOURCES

As at 31 December 2018, 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 2018 were approximately RMB91.0 million (31 December 2017: RMB87.7 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 2018 was recommended by the Board (2017: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

No material acquisitions and disposals by the Group were noted during the year ended 31 December 2018.

PROSPECTS

Looking into year 2019, China's textile industry will face a more complicated external environment with growing uncertainties in the market. The liquidity squeeze on USD and intensifying international trade protectionism will increase the risks associated with the downturn of the global economy. In addition, the macroeconomy of China will also face greater pressure due to increasing risks in the international market. In particular, the Sino-U.S. trade friction, with many twists and turns, is unlikely to be fully resolved in the near term, thus casting uncertainties on the international trade environment of the textile industry. This will not only directly affect the export orders and related industries, but also bring about more uncertainties in the outlook for the international textile industry development.

Faced with the prevailing difficult business environment and growing risk factors, the Group, as a responsible listed company, will continue to keep up its business by adhering to a more prudent development strategy. Meanwhile, to expand the source of income and balance the operational risks, the Group is actively seeking new business investments with potential and value. Through diversifying its business mix, the Group aims to fully capture market opportunities to achieve sustainable development and generate attractive returns to the shareholders.

EXECUTIVE DIRECTORS

Mr. WANG Bin, aged 54, 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 report, there is no other benefit provided to Mr. Wang for his directorship in the Company.

Ms. TIAN Ying, aged 54, 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 report, there is no other benefit provided to Ms. Tian for her directorship in the Company.

Mr. DU Shuwei, aged 51, is a vice president of Wintime Group Co., Ltd* (永泰集團有限公司). Mr. Du graduated from Zhongnan University of Economics in 1990 with a bachelor's degree in economics and graduated from Zhongnan University of Economics and Law with a master's degree in business administration in 2000. He graduated from Huazhong University of Science and Technology with a doctorate in management in 2009 and graduated from Université Grenoble Alpes of France with a master's degree in executive business administration in 2012.

Mr. Du served in Tongji Hospital of Tongji Medical University from July 1990 to September 2001. He worked as an accountant of the finance office from July 1990 to January 1996, a deputy director of the economic management office from January 1996 to January 1997, a director of the economic management office from January 1997 to March 1998 and a director of the finance office from March 1998 to September 2001. Mr. Du served as a chief accountant of Tongji Hospital of Huazhong University of Science and Technology from September 2001 to September 2008 and served as the vice president from September 2008 to January 2018. Since March 2018, Mr. Du has served as the vice president of Wintime Group Co., Ltd* (永泰集團有限公司).

Mr. Du 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. Du 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 report, there is no other benefit provided to Mr. Du for his directorship in the Company.

NON-EXECUTIVE DIRECTORS

Mr. ZHANG Yanlin, aged 50, 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 67, 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 37, 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).

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 51, 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.* (武漢國際信託投資公司) between May 2004 and October 2010. He also served as the general manager of the audit division of Guotong Trust Co., Ltd.* (國通信託有限責任公司) (previously known as Founder Bea Trust Co., Ltd.* (方正東亞信託有限責任公司)) 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 38, 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.

Mr. WANG Shao Hua (王韶華), aged 51, 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 52, 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 49, 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 46, 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

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 2018. This Report discloses the Group's policies and practices pertinent to sustainable development. As a platform for communication and to facilitate understanding with the Group's stakeholders, this Report also contains information on actions taken in response to the major expectations and concerns of stakeholders. This Report is to be read in conjunction with the Company's 2018 Annual Report, in particular the Corporate Governance Report contained therein.

This Report has been approved by the board (the "Board") of directors (the "Directors") of the Company.

Reporting Boundary

This Report covers the Group's sustainability-related issues, as well as correlated policies, measures, and activities under the control of the Group. This Report covers the period from 1 January 2018 to 31 December 2018 (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"). The physical boundary includes offices in the PRC and factories in the PRC and Myanmar.

The Group's operation, focusing on textile and apparel, includes the activities of weaving and knitting, dyeing and finishing, printing, cutting, and sewing. The Group's major environmental impacts, as well as the social impacts, are generated from the activities relating to its operation in the PRC and Myanmar. Thus, only key performance indicators ("KPIs") in 2018 for the activities in the PRC and Myanmar are considered as material by the Group and disclosed in this Report. The Group will continue to optimise and improve the disclosure of KPIs to provide a more comprehensive view of its performance.

Preparation Basis

This Report was prepared with reference to the *ESG Reporting Guide* ("ESG Guide") contained in Appendix 27 of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited. This Report has complied with "comply or explain" provisions of the ESG Guide. Moreover, the selection of information for disclosure was based on the result of the materiality assessment.

The reporting principles (of Materiality, Quantitative, Balance, and Consistency) outlined in ESG Guide have been adopted in the Group's reporting practices.

Publication of this Report

This Report is available in both Chinese and English. Should there be any discrepancy between the Chinese version and the English version, the English version shall prevail. An electronic version of this Report can be accessed on the Group's website http://www.greatimeintl.com.

Feedback to this Report

The Group will continually improve and perfect the contents and presentation of its ESG report in the future. You are welcome to contact the Company if you have any questions over or advice on this Report. Please email us at info@greatimeintl.com.

OUR ENGAGEMENT

The Group has engaged an independent third-party consultancy to assist the stakeholder identification and materiality assessment. The processes of stakeholder identification involved benchmarking, interviews, and site visits. The major stakeholders include “Government and Regulatory Authorities”, “Major Shareholders”, “Financial Intuitions and Potential Investors”, “Retail Investors”, “Employees”, “Customers”, “Suppliers”, “Distributors”, “Business Partners”, “Peers/Industry Associations”, and “Community”.

The Group attaches significance on maintaining communication and interaction with the stakeholders by establishing diversified communication channels as shown in Table 1. Through these communication channels, the Group maintains a good understanding of the expectations of and is able to receive valuable feedbacks from the stakeholders, and hence allows the Group to further develop and optimize its sustainable development strategies.

Table 1. The Channels of Communication with the Major Stakeholders

Stakeholders	Expectations	Communication 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
Major Shareholders	• Sustainable income and protection of their investments • Protection of interests and fair treatment of shareholders	• Annual general meeting and other shareholder meetings • Annual report and other announcements • Email, telephone communication, and corporate's website
Financial Institution and Potential Investors	• Information disclosure and transparency	• Regular meetings • Annual report and other announcements • Email, telephone communication, and corporate's website
Retail Investors	• Sustainable return on investment	• Annual report and other announcements • Email, telephone communication, and corporate's website
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

Stakeholders	Expectations	Communication Channels
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
Suppliers Distributors	• 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
Business Partners	• Supply chain management • Product quality management	• On-site visits • Irregular Meetings
Peers/Industry Associations	• Experience sharing • Corporations/Fair competition	• Industry conferences • Site visits
Community	• Creating social benefits	• Website, and ESG report

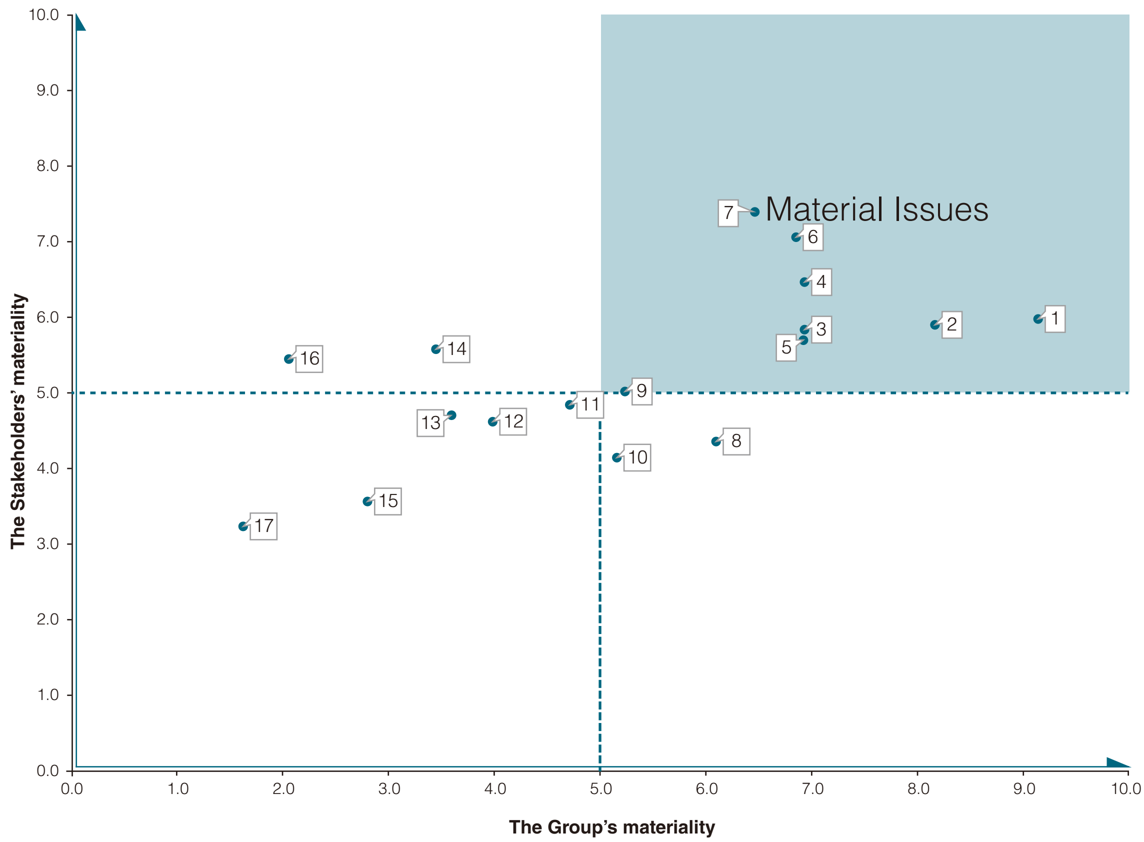
The Group has conducted its first-ever sustainability-related materiality assessment for its ESG reporting with the assistance of an independent third-party consultancy. As a good start, the materiality assessment has already involved the Group's major shareholders, senior management, and employees, which altogether make significant contribution to Group's exploration of its materiality of sustainability-related issues.

As part of the exercise for screening and identification of the core sustainability issues for the Group, the Group has extracted relevant issues from the "Environmental" and "Social" Aspects in ESG Guide, from the "Textiles, Apparel, Footwear and Luxury Goods" section in *Sustainability Topics for Sectors: What do stakeholders want to know?* prepared by Global Reporting Initiatives (which is commonly known as GRI), and from the peer benchmarking results to form its pool of sustainability-related issues. After that, the Group's senior management then selected the most relevant issues according to their understanding of the Group and the garment industry, with the most relevant issues identified and put in the body of the questionnaire survey for subsequent interactions with the stakeholders.

The questionnaire respondents (including the Group's major shareholders, senior management, and employees in this assessment) have been asked to rank the most relevant issues according to their interests. It is assumed that the major shareholders and senior management represent the interests of the Group to evaluate the materiality, while the employees represent their own interests in materiality. The structure and disclosure of the report have been prepared based on the materiality matrix.

The following materiality matrix shows the relative importance of the material issues identified for the Group. The issues that are identified as highly relevant and material are located to the upper right corner of the materiality matrix, and those issues that are not located to the lower left corner of the materiality matrix.

The Group's Materiality Matrix



- 1. Product Responsibility
- 2. Product and Service Quality
- 3. Labour Standards
- 4. Employee Development and Training
- 5. Corporate Governance and Risk Management
- 6. Employment and Welfare
- 7. Health and Safety
- 8. Supply Chain Management
- 9. Discharge and Management
- 10. Procurement
- 11. Water Usage and Efficiency
- 12. Energy Usage and Efficiency
- 13. Chemical Usage and Management
- 14. Indoor Air Quality
- 15. Community Participation and Contribution
- 16. Women working conditions and discrimination
- 17. Anti-corruption

The results of the materiality assessment show the stakeholders consider the following issues that are material for the Group:

- Product Responsibility
- Product and Service Quality
- Employment and Welfare
- Health and Safety
- Employee Development and Training
- Labour Standards
- Corporate Governance and Risk Management
- Supply Chain Management
- Discharge and Management

The Group fully takes note of the results of the above materiality analysis into its business strategy and operations, and this Report fully considers and addresses the stakeholders' concerns on the identified material issues in the following sections.

Table 2. Sections of Report for Responding to the Material Issues Identified

Material Issues (from the highest to the lowest level)	**Brief Definitions of the Issues for Communication with Respondents**	**Sections of Report for Responding to the Issue**
Product Responsibility	The management relating to the privacy matter of clients, advertising, labeling, intellectual property rights etc.	Our Business – Product Responsibility
Product and Service Quality	The management relating to the quality of products and services	Our Business – Product Responsibility
Employment and Welfare	The management relating to the compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination etc.	Our People – Employment and Labour Standard
Health and Safety	The safety-related management relating to the working environment and occupational hazards	Our People – Health and Safety

Material Issues (from the highest to the lowest level)	Brief Definitions of the Issues for Communication with Respondents	Sections of Report for Responding to the Issue
Employee Development and Training	The management relating to the development and training of employees	Our People – Development and Training
Labour Standards	The management relating to child labour and forced labour	Our People – Employment and Labour Standard
Corporate Governance and Risk Management	The Group's governance, operation and risk management	Our Business – Corporate Governance
Supply Chain Management	The management relating to the environmental and social risks of supply chain	Our Business – Supply Chain Management
Discharge and Management	The management relating to the discharge	Our Environment – Discharge

OUR BUSINESS

The Group is striving for sustainable development so as to reduce risks and to seize opportunities associated with its business. The Group believes that upholding good corporate governance measures is vital to ensure effective internal control and to protect the long-term interests of shareholders, customers, employees, and the Group. Shouldering the full responsibilities of its product, the Group dedicates its full efforts to maintain the quality of its products without compromising the needs for highest standards of safety and environmental protection, while recognizing the needs in building up a close and long-term business relationship with its suppliers. Besides, one of the core values of the Group is to maintain the highest standard of integrity in continuous business development.

The practices relating to corporate governance, product responsibility, supply chain management, and anti-corruption are introduced in the following sub-sections.

Corporate Governance

Governance

The Board, as the responsible party for leading and controlling the Company and overseeing the Group's businesses, strategic decisions, financial performance and corporate governance functions, has been assisted by various functional committees in discharging its duties and overseeing particular aspects of the Group's activities, including the Audit Committee, the Remuneration Committee, and the Nomination Committee (collectively the "Committees"), with specific responsibilities assigned.

Table 3. The Committees and the Corresponding Functions

Committee	Functions
Audit Committee	Making recommendations to the Board on the appointment, re-appointment and removal of the external auditors
	Approving the remuneration and terms of engagement of the external auditors, and 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
	Reviewing the financial controls, internal control and risk management systems
Remuneration Committee	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
	Reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time
Nomination Committee	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 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
	Conforming to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the memorandum and articles of association of the Company or imposed by legislation

The senior management is responsible for the day-to-day management, administration, and operation of the Company, which the heads of division are responsible for the management and operation of 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.

Risk Management and Internal Control

The Group's risk management and internal control, as well as effectiveness review, are the responsibility of the Board. The senior management is required by the Board to establish and maintain sound and effective systems for risk management and internal control. The risk management function includes the activities of identifying risk, assessing risk, responding to risk, monitoring risk, and reporting in order to identify, evaluate and manage significant risks; while the internal control framework includes central direction, resources allocation and risk management of the activities of various business units, supported by human resources, information systems, and financial practice. Control procedures have been designed to safeguard assets against misappropriation and disposition; to ensure compliance with relevant laws, rules, and regulations; to ensure proper maintenance of accounting records for the provision of reliable financial information used within the business or for publication; and to provide reasonable assurance against material misstatement, loss or fraud.

Processes have been set to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects. The Group's finance department 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. Independent reviews of risks associated with and controls over principal operations and critical applications, and reports to the Audit Committee with its findings are performed by the finance department, and its responsibility includes making recommendations to improve the internal controls of the Group.

For more details on corporate governance, risk management, and internal control, please refer to the Corporate Governance Report on page 59.

Product Responsibility

The Group is committed to fulfilling its responsibility for its products by protecting intellectual property and securing the quality of the products. The quality department is responsible for monitoring and maintaining the whole production chain, including the processes of procurement, storage, production, and transportation. The policies based on the compliance with relevant laws and regulations and the targets relating to product quality have been established and reviewed by the quality department. Moreover, the quality department is in charge of the implementation of the quality management system and the monitoring of product quality, as well as the regular inspection of each production process. An annual analysis of quality control and suggestion about the enhancement of quality control would be summarized and submitted to the senior management.

The labels attached on the innerwear products are prepared according to the customers' requirements, and the Group has no control over labeling, while the Group has control over the labelling on its fabrics products and prepares the labels in according with relevant laws and regulations. Advertising is not considered as a material matter by the Group.

Quality Control

The Group upholds the belief of "The quality today determines the market tomorrow" and strives to improve its quality management system. Various quality control related systems are adopted in the factories.

The Group promotes 8S (Sort, Straighten, Sweep, Sanitary, Sentiment, Safety, Save and Study) management concept among the employees. Quality check is carried out at each of the production steps.

The raw materials for fabric production basically include cotton yarns and dyeing related materials, while innerwear production involves the use of fabrics, sutures, buttons, and zippers. In order to guarantee the quality of raw materials, once they arrive the warehouse, inspection and documentation works would be conducted.

Besides, the Group attaches weight to other factors influencing the quality of its product. The design and construction of the warehouses and the production facilities of the Group comply with the standards prescribed in the national regulations.

Comprehensive inspections on the semi-finished and finished fabrics are conducted to ensure adherence with assigned specifications from customers. Qualities of the semi-finished and finished fabrics are evaluated based on three quality testing points.

- The first inspection is carried out on greige fabrics before dyeing;
- The second inspection is performed after the dyeing procedure to ensure the colors and quality of the dyed fabrics meet customers' order specifications;
- The third inspection requires laying the fabrics on a stenter machine for:
    - cleaning, wringing and drying;
    - screening knitting patterns and colors of the fabrics;
    - identifying flaws in thickness; and
    - inspecting visually (touch is the major means).

Physical, chemical and bacteria tests are then performed to further ensure the qualities of fabrics. A quality inspection report is eventually issued by the personnel responsible for quality assurance. Thereafter, the finished fabrics are transported to the warehouse for storing.

According to the requirements of quality control on innerwear products, the personnel responsible for each section of production are required to inspect the items received from previous section in order to assure the quality.

The implemented quality control related systems and obtained certifications include:

- 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
- ISO 9001: 2015 Quality Management

Product Safety and Health

Considering the safety and health of the products, only dyes and chemicals approved to be sold and used by the relevant authorities in the PRC are selected and sourced from renowned chemical companies in the PRC and abroad. The chemical additives which contain banned chemicals in the European Union, the United States and the PRC are strictly prohibited from using in the Group's products.

Protection of Privacy Matters

The information relating to customers and their products are treated as highly confidential. The Group's employees are not allowed to disclose any information of clients in any circumstances. Permission to access the information of customers has been set in the computer system of the Group and granted to the authorised personnel only.

Intellectual Property Protection

The Group has several levels of protection, such as entering into non-disclosure agreements, implementing internal security systems and policies and compliance with relevant laws and regulations, to protect its 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.

Supply Chain Management

The Group emphasizes the importance of supply chain management, in particular the social performance of its suppliers and subcontractors. The procurement of materials is controlled by the *Procedure for Internal Control on Material Procurement*, which regulates the supplier management. Furthermore, the Group has formulated and implemented an internal policy, which is known as the *Suppliers/Subcontractors Social Responsibility Control Procedure* (SSRCP), to select suppliers and subcontractors based on their performance in social responsibility, especially for the aspect of labour standard. SSRCP states that the cooperation with suppliers will be stopped if any cases of child labour and forced labour are confirmed. 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 qualified after an on-site assessment

- The supplies department develops a file containing assessment results, proofs, records of improvement and certifications related to social responsibility etc., for each certified supplier and subcontractors

- All suppliers and subcontractors should sign up and demonstrate their commitment to take-up the social responsibility as contained in the SSRCP before entering into a contract with the Group

- The supplies department will perform visits to suppliers and subcontractors for evaluating and recording the suppliers' performance in social responsibility

- 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 also study the sub-providers of the suppliers and subcontractors in order to prevent child labour and forced labour 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 Social Accountability 8000 (SA8000) or conform to the world-renowned procurement evaluation standard, the on-site assessment may be exempted only if can provide relevant certificates or evaluation reports for cross-checking of claimed good performance

Anti-corruption

The Group strictly prohibits bribery, extortion, fraud, money laundering, and other illegal acts. The Group's employees have been informed to follow the rules stated in the labour contracts and the staff handbook and 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. The human resources department is responsible for the management of the whistleblowing system.

The anti-corruption related rules include but not limited to the followings:

- Requesting existing employees not to receiving any kind of benefit from the Group' s suppliers or partners

- Requesting job applicants to declare the relationships with existing employees of the Group and its business partners, if any

According to the *Policy on Resignation/Dismissal Audit System* ("RDAS"), the Group's management of misconduct and malpractice covers the individuals who have resigned or been dismissed. The internal audit department is responsible for the corresponding organization, facilitation, and supervision of the management. In general, RDAS requires to assess and define the responsibilities of employees during his or her job tenure, and these responsibilities include any risks and economic loss caused by misconducts and malpractices. Therefore, the individuals who left the positions still have to bear any relevant responsibilities. RDAS helps to improve the accountability of the personnel and to protect the Group's interests.

For more details on the Group's compliance with relevant laws and regulations, please refer to Appendix 1.

OUR PEOPLE

The Group is committed to creating a work environment that is free of discrimination for its employees and job applicants on any grounds and grateful to its employees who have helped the Group develop and deliver quality products.

Employment and Labour Standards

The Group believes that its 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 its human resources related regulations and policies. The standard of staff recruitment, promotion, remuneration, work hours, rest periods, holidays, contract termination, compensation, and benefits are all clearly stated in the *Regulation on Labour Resources Management* ("LRM"). Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus, and retirement benefit scheme. The Group also works towards a diversified composition of employees with various races, education, work experience, nationalities, knowledge, and skills. Moreover, the prohibition of child labour or forced labour is clearly stated in LRM.

The recruitment and employment are conducted in a fair and equal manner. The recruitment process and employment decision focus on the job applicants' work experience, technical skills and work performance without discrimination of any kind based on age, gender, nationality, race, sexual orientation, physical disability, and marital status.

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 reasonable overtime pay to employees working after normal working hours if so requires.

The Group has set the minimum age requirement for recruitment in LRM, which aligns with the relevant section in *the Labour Law of the People's Republic of China*. The applicants of the Group's positions are asked to provide their identity cards for assuring their ages meeting the minimum requirement. The decision of employment is approved and reviewed by several departments. The Group also follows the internal regulation to set up a procedure to receive employees' complaints and feedback on all issues, including the aspects of 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. Moreover, the Group will consult with the child's guardians on avenues for his or her return to school.

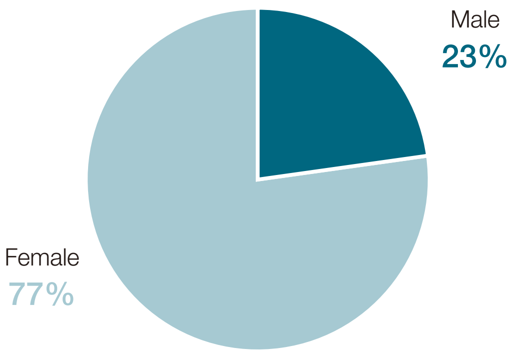
Regarding the employee promotion, the Group considers and examines the performance and competence of each employee to achieve a fair and positive promotion.

The Group has established a welfare system for its employees. The employees are entitled to the statutory holidays, paid annual leaves, sick leaves, casual leaves etc., in accordance with the relevant laws and regulations and LRM. Various benefits for 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.

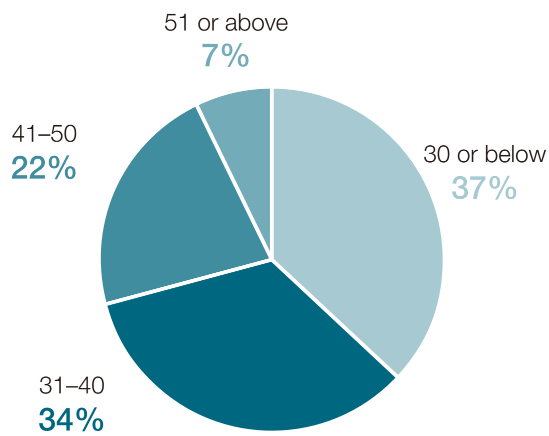
The Group advocates a work-life balance culture through providing a diverse choice of activities such as annual dinners, knowledge competitions, leisure trips, outstanding employee awards, etc. Such activities can help employees to relax and enhance the communications among employees.

For more details on the Group's compliance with relevant laws and regulations, please refer to Appendix 1.

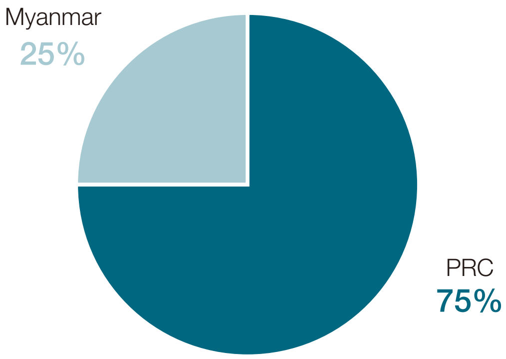
2018 Workforce Information



By Gender



By Age Group



By Geographical Location

	2018	2017
Workforce by gender		
Male (%)	**23**	21
Female	**77**	79
Workforce by age group		
30 or below	**37**	46
31–40	**34**	31
41–50	**22**	22
51 or above	**7**	1
Workforce by geographical location		
China	**75**	75
Myanmar	**25**	25

	2018	2017
Turnover rate by gender		
Male (%)	**8**	14
Female (%)	**27**	19
Turnover rate by age group		
30 or below (%)	**11**	25
31–40 (%)	**9**	12
41–50 (%)	**6**	9
51 or above (%)	**14**	15
Turnover rate by geographical location		
China (%)	**11**	12
Myanmar (%)	**3**	31

Health and Safety

The Group gives particular importance to occupational health and safety. On top of the compliance with the relevant laws and regulations, the human resources 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 its employees.

The Regulation on Governing the Corporate Labour, Safety and Hygiene Educational Management ("LSHE") was formulated. A production safety committee has thus been established for the implementation of LSHE and administration of production safety.

Every newly recruited employee will 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. Employees will also receive an annual general medical examination. The Group will discuss with the employees who have been found abnormalities whether reassignment of job position is necessary. Besides, the Group has established safety standards regarding matters such as the usage of safety helmets, the operation of machinery 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.

Regular occupational hazards assessments are conducted to identify hazards in the factories and ensure the safety measures are implemented appropriately. Moreover, the Group regularly teams up with customers to conduct safety inspections as courtesy of continuously driving improvements in safety management. Customers are invited by the Group to conduct safety inspections on those areas that they are most interested in. The inspection usually covers safety production procedures, the maintenance of safety equipment, the fire safety as well as the welfare of employees. The Group maintains a safe environment and passed all safety requirement set by the customers.

For more details on the Group's compliance with relevant laws and regulations, please refer to Appendix 1.

Development and Training

The Group believes that improving the professional skills of labours is in line with the Group's development strategies, hence increasing the Group's competitiveness. The Group regularly organises training for its employees and examines the skills required for the job positions. *The Human Resources Plan for Training* was formulated by the Group to arrange and organise training. The Group arranges various targeted and customised training on a regular basis covering quality assurance, occupational safety, and skills related to production and accounting to its employees. Training is conducted in the form of orientation and on-the-job training. A training record is maintained for each training program and used for evaluation of the training efficiency.

Table 4. The Targeted Party and Corresponding Areas of training

Targeted Party	**Areas of training**
The heads of divisions	• Environmental protection • Social Responsibility • Laws and regulations • Recruitment
The supervisors of production lines	• Social Responsibility
The monitors of units of production lines	• Social Responsibility

Targeted Party	Areas of training
The personnel responsible for production	• Specialized skills • The Group's policies and systems
The new employees	• The Group's context
All employees	• Occupational health and safety • Fire safety • Emergency • Evacuation • Hazardous chemicals

Table 5. The Training Activities conducted during the Reporting Period

Month	Targeted Party	Topics
January	• The heads of divisions • The representatives of employees • All employees	• Occupational injuries and relevant insurance • Instruction on using firefighting and fire safety equipment
	• The personnel responsible for dyeing and finishing	• Dyeing and finishing related procedures and requirements
February	• The supervisors of production lines • The monitors of units of production lines	• Instruction on wearing and maintaining protective cloths
March	• The new employees	• The Group's culture and policies • Fire safety • Cropping related standards and procedures • Knitting related standard • First and second quality inspections • Packaging procedures
	• The personnel responsible for first quality check	• First quality inspection requirements, caution, and operation procedures
	• The first aiders of departments	• Basic medical treatment
	• The supervisors of production lines	• Health and safety

Month	Targeted Party	Topics
April	• The heads of divisions	• Emergency plan • Environmental protection • Business Social Compliance Initiative
	• The personnel responsible for second quality check	• Second quality inspection
	• The new employees • Some senior employees	• Fire safety
May	• The heads of divisions • The representatives of employees	• Laws and regulations
	• The supervisors of production lines	• Social responsibility
	• The monitors of units of production lines	• Fire safety
June	• The personnel responsible for ironing	• Ironing related techniques, procedures, and requirements
	• The supervisors of production lines • The monitors of units of production lines	• Hazardous chemicals management
	• The new employees	• The Group's policies • Discipline
	• The personnel of production lines	• Operation
July	• The supervisors of production lines • The monitors of units of production lines • The security guards	• Operation and safety of equipment
August	• The personnel responsible for packaging	• Packaging related procedures and requirements
	• The heads of divisions	• Recruitment related procedures
September	• All employees	• Fire safety • Emergency • Evacuation
October	• The personnel for needle detection and packaging	• Needle detection related procedures and requirements
	• The personnel for packaging	• Packaging related procedures and requirements
	• The personnel of production lines	• The Group's policies • Fire safety

Month	Targeted Party	Topics
November	• The heads of divisions • The representatives of employees	• Hazardous chemicals related protection and management
December	• The personnel responsible for visual inspection	• visual inspection related techniques and requirements

Table 6. The Average Training Hours

Average training hours for employee[1]	2018	2017
Male	**4.01**	12.14
Female	**3.17**[2]	12.66

1 The reporting scope includes the operation in China

2 The average training hours of female employees in 2018 were smaller because the number of newly recruited employees was smaller in 2018. A relatively high proportion of training hours usually is the training for newly recruited employees.

OUR ENVIRONMENT

The Group is committed to fulfilling its environmental responsibilities and reducing the environmental impacts of its operation and corresponding activities as far as practicable. The Group's operation, focusing on the industry of textile and apparel, includes the activities of weaving and knitting, dyeing and finishing, printing, cutting, and sewing in the Group's production facilities in the PRC and Myanmar. The major environmental considerations during our production activities are wastewater discharge, dust generation, greenhouse gas ("GHG") emissions, hazardous and non-hazardous waste generation, and noise emission. The indirect GHG emissions from purchased electricity and steam is the major sources of the Group's carbon footprint. The Group is aware of its responsibilities related to climate change on its operation due to the emissions. Thus, the Group will ensure that its corporate decision-making process involves the consideration of the environment and its operation and corresponding activities are conducted in accordance with sound environmental practices.

Fossil fuel burning was the major source of air and GHG emissions of the Group. Since April 2018, the Group has stopped its last boiler for production in the PRC to fulfill the commitment to environmental protection. The Group has started purchasing steam generated from centralized heating network for its production, which is considered more environmentally friendly compared to direct fuel combustion in the production facilities.

Environmental Policy

The Group attaches foremost importance to environmental compliance in the locations where it operates and maintains gradual progress toward sustainable development. The major environmental policy of the Group is *The Policy on Environmental Operation and Management of Facilities* ("EOMF"). The Group has standardised the environmental practices relating to environmental protection and resource efficiency in the EOMF and instructed the subsidiaries to adopt. The policy was announced to all levels of employees and implemented in all factories. The Group's employees are responsible for continually striving to minimise these impacts as set forth in the policy.

According to EOMF, the Group strives to

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

The environmental management systems in the subsidiaries in the PRC have been certified with the international standard of ISO 14001: 2015 Environmental Management. The alignment with ISO standard helps the Group to enhance its management.

The Group's internal audit team is responsible for identifying measures related to environmental matters in order to manage and prevent environmental 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.

For more details on the Group's compliance with relevant laws and regulations, please refer to Appendix 1.

Environmental Impacts

Air Emissions

The Group strives to ensure its air emissions are in strict compliance with the relevant laws and regulations. During the Reporting Period, the Group managed to replace fossil fuel burning with steam purchasing for the Group's operation.

According to the Group's policy *Exhaust Gas Emission Management*, the Group has adopted the following measures to reduce its emissions:

- Regular examination and maintenance are conducted to maintain the conditions of the devices
- The unwanted cotton dust is trapped and collected by the installation of filters
- The temperature and humidity in the factories are controlled for dust suppression

Table 7. The Air Pollutant Emissions of the Group

	2018[2]		2017	
Air Pollutant[1]	**Amount**	**Intensity[4]**	Amount	Intensity
Sulphur dioxide[3] (SO_2) (metric tons)	**4.51**	**0.013**	27.44	0.09 metric tons per RMB million revenue
Nitrogen oxide[3] (NO_X) (metric tons)	**1.91**	**0.01**	8.26	0.03 metric tons per RMB million revenue
Particulate matter[3] (PM) (metric tons)	**27.97**	**0.08**	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 particular information for estimation; only the PM emission from the coal-fired boiler is included in the estimation.

2 The estimated emissions of the boiler covers the period from January to March 2018; the boiler has been stopped since April 2018. As a result, the amounts of emissions and the corresponding intensities in 2018 are lower than 2017.

3 The estimation of emissions is based on the methods and coefficients provided in the Discharge Coefficients of Industrial Pollutants in the *First National General Survey of Pollution Sources* and *National Emission Inventory Guidebook for On-road Vehicles* published by the Ministry of Ecology and Environment and the First National General Survey of Pollution Sources leading group office of State Council respectively.

4 The revenue in RMB for the calculation of intensity is $347,196,000.

Greenhouse Gas Emissions

The Group recognises the importance of GHG emission control. Purchased electricity and steam are the major sources of indirect GHG emissions due to the operation of the Group. As responsive measures, the Group aims to reduce the emissions by enhancing the energy efficiency of its equipment.

Besides, the Group encourages its 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 employees with vehicles either adopted clean fuels or rented from car-sharing.

Table 8. The GHG Emissions of the Group

	2018[2]		2017	
GHG Emissions[1]	**Amount**	**Intensity[4]**	Amount	Intensity
Scope 1[3] (metric tons)	**3,351.99**	**9.65**	18,087.02	58.35 metric tons per RMB million revenue
Scope 2[3] (metric tons)	**8,267.45**	**23.81**	9,571.24	30.87 metric tons per RMB million revenue

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

2 The estimated emissions of the boiler covers the period from January to March 2018; the boiler has been stopped since April 2018. As a result, the amounts of emissions and the corresponding intensities in 2018 are lower than 2017.

3 The estimation of emissions is based on the methods and coefficients in the *Guideline on GHG Monitoring and Reporting for Other Industries and the 2011–2012 Average CO2 Emission Factors of China's Sub-national Grids* published by the National Development and Reform Commission. The scope 2 emission in Myanmar is estimated according to the GHG Protocol tool for Stationary Combustion published by World Resources Institute.

4 The revenue in RMB for the calculation of intensity is $347,196,000.

Wastewater

The Group is aware of the wastewater generation from its business and strives to reduce its impact by operating and maintaining its own sewage treatment facilities for treatment of all the wastewater generated to acceptable levels before discharging to designated outlets. The major wastewater of the Group is classified as irregular discharge according to the local authority and generated from the processes of dyeing, finishing, and printing. The wastewater is discharged into the municipal wastewater treatment facilities after the receiving complete treatment in the factory. There are no discharges into land. In order to ensure compliance with the relevant laws and regulations, the Group has adopted the following measures:

- Setting up treatment tanks to collect and treat wastewater through a series of biological contact oxidation processes
- Monitoring the wastewater quality indicators at regular intervals, such as chemical oxygen demand ("COD"), to ensure treated wastewater has attained satisfactory quality before discharge

Table 9. The Group's Concentration of COD

	Average concentration[2]	
Wastewater quality indicator[1]	**2018**	2017
COD (mg/L)	**84.21**	83.00

1 The reporting scope of the indicator includes the factory for the business related to dyeing, finishing, and printing in China. COD is an important parameter in measuring quality and determining what organic load is present in the water. The concentration of COD discharged shall not exceed 200 mg/L according to the requirement provisioned by the local authority.

2 The average concentration was obtained from monitoring.

Hazardous and Non-Hazardous Wastes

The Group emphasises the importance of proper treatment of wastes generated from the production. The subsidiaries in the PRC strictly comply with the *Administrative Measures for Hazardous Waste Transfer Manifests and Measures for the Administration of Permits to Handle Dangerous Wastes* to ensure proper approaches for the waste transportation and disposal. 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-authorised organisations. A team of dedicated waste management personnel is assigned to assure the clearance and disposal of boiler slag. The domestic wastes primarily include food waste and general non-hazardous solid wastes produced by employees, 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.

Table 10. The Wastes Generated of the Group

	2018		2017	
Type of waste[1]	**Amount**	**Intensity[4]**	Amount	Intensity
Hazardous waste				
Sludge (metric tons)[2]	**5,400.00**	**15.55**	2.09	0.007 metric tons per RMB million revenue
Non-hazardous waste				
Paper (pieces)[3]	**597,000.00**	**1,719.49**	884,500.00	2,853.23 pieces per RMB million revenue

1 The reporting scope includes the operation in China and Myanmar.

2 In 2018, the sludge accumulated at the bottom of the wastewater treatment tank was cleared and disposed properly. It caused the increase in the amount of sludge disposed in 2018.

3 The amount shown in this Report actually is paper usage, instead of paper disposed at the landfill.

4 The revenue in RMB for the calculation of intensity is $347,196,000.

Noise

The Group realises that the noise generated from its operating machinery has a significant impact on 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 around the factories within the designated area to reduce noise pollution. Machinery generating a considerable level of noise level is prohibited to be operated during the breaks, noon time and night time, and any extension of the length of time for operation due to special circumstances must be reported and approved by relevant departments.

Use of Resources

The Group is committed to utilising resources efficiently and reasonably. The manufacturing of innerwear products and knitted fabrics leads to a considerable demand for electricity and water. The Group pursues the strategy of resource-saving with the purpose of reducing energy usage and hence operation cost. According to the Policy on Social Responsibility Management System, various energy and water conservation related practices are implemented to reduce the consumption of energy and water.

Technologically advanced machinery is purchased for the Group's production to help improve the Group's energy efficiency and reduce its negative environmental impacts. In particular, the weaving machines, dyeing machines, pre-shrinking machines, stentering machines and flat screen and rotary screen printing machines were sourced from the manufacturers in Japan, Germany, Italy, Hong Kong, and Taiwan.

Energy Consumption

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

- Improving management mechanism of heating by monitoring temperature on the premises
- Setting up rules for employees on the premises. Turning 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 of the importance of saving energy
- Replacing non-energy efficient devices
- Replacing conventional light bulbs by energy-saving light bulbs
- Installing energy efficient motors in the factories

Table 11. The Energy Consumption of the Group

	2018		2017	
Type of energy	**Amount**	**Intensity[3]**	Amount	Intensity
Gasoline (L)[1]	**43,625.89**	**125.65**	48,283.23	155.75 litre per RMB million revenue
Diesel (L)[1]	**36,349.90**	**104.70**	92,872.20	299.59 litre per RMB million revenue
Coal (metric tons)[1]	**1,579.00**	**4.55**	8,622.79	27.82 metric tons per RMB million revenue
Electricity (kWh)[1]	**9,564,861.00**	**27,548.88**	11,028,505.00	35,575.82 kWh per RMB million revenue
Steam (metric tons)[2]	**52,445.60**	**135.22**	42,476.2	137.02 metric tons per RMB million revenue

1 The reporting scope includes the factories in China and Myanmar.

2 The reporting scope includes the factories in China.

3 The revenue in RMB for the calculation of intensity is $347,196,000.

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 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. The performance appraisal of corresponding personnel includes the assessment of water conservation.

Besides, plants are irrigated by the rainwater captured through a rainwater harvesting system established in the factories.

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

Table 12. The Water Consumption of the Group

	2018		2017	
Water[1]	**Amount**	**Intensity**	Amount	Intensity
Fresh water consumption (metric tons)	**352,259.00**	**1,014.58**	319,866.00	1,031.83 metric tons per million RMB revenue

1 The reporting scope includes the factories in China and Myanmar.

Packaging Materials

The Group has no control over the usage of packaging materials for products ready for delivery due to the nature of its business mode. The Group, entering into contracts with customers, acts as a contractor to produce products according to the criteria stated in the contracts with no control over the specifications of products and the selections of packaging materials. The exceeded packaging materials are either returned to customers or kept in the factories for other suitable products.

Therefore, the total packaging material used for finished products is neither considered as material for the Group nor disclosed in this Report.

The Environment and Natural Resources

The Group's major business and the corresponding operation are not considered energy and natural resources intensive. The Group's factories are located in the areas for industrial purpose and the Group strives to minimise the environmental impacts in the areas to fulfill the environmental responsibility of the Group.

A *Contingency Plan for Environmental Pollution Accident* ("CPEPA") developed by the Group provides a comprehensive procedure for responsible personnel to follow when encountering an environmental pollution accident. CPEPA was developed with the aim to instructing employees to effectively respond to environmental emergencies as well as enhancing the rescue standard and reaction time. Thus, the impacts of environmental emergencies on the environment and natural resources can be controlled and reduced. In order to identify the potential hazards to the environment, regular environmental impact assessments are conducted.

OUR COMMUNITY

The Group considers itself closely linked with the community in the locations where it operates and takes notice of the needs and pursuance of its stakeholders. The Group focuses on managing its social impacts by carrying out activities relating to compliance, engagement and community investment.

Group has maintained friendly and peaceful relationships with the local community. During the Reporting Period, the Group identified the needs for supporting the local primary school and the institute in the community where the subsidiaries in PRC locate. The Group supported the primary school and the institute by making monetary donations.

APPENDIX 1: THE GROUP'S COMPLIANCE WITH THE MATERIAL LAWS AND REGULATIONS DURING THE REPORTING PERIOD

The Laws[1] and Regulations Corresponding to the Aspects in the ESG Guide	Performance
Aspect A1: Emission	
China • *Environmental Protection Law of the People's Republic of China* • *Environmental Protection Tax Law of the People's Republic of China* • *Cleaner Production Promotion Law of the People's Republic of China* • *Water Pollution Prevention and Control Law of the People's Republic of China* • *Atmospheric Pollution Prevention and Control Law of the People's Republic of China* • *Soil Pollution Prevention and Control Law of the People's Republic of China* • *Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise* • *Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry* • *Integrated Emission Standard of Air Pollutants* • *Wastewater Quality Standards for Discharge to Municipal Sewers* • *Standard for Pollution Control on Hazardous Waste Storage* • *Standard for Pollution Control of for General Industrial Solid Waste Storage and Disposal Sites* *Shandong – China* • *Emission Standard of Air Pollutants for Boiler (Shandong Province) (DB37/2374–2013)* *Myanmar* • *Environmental Conservation Law*	During the Reporting Period, the Group did not have any material violation of the laws and regulations relating to environmental protection.

The Laws[1] and Regulations Corresponding to the Aspects in the ESG Guide	Performance
Aspect B1: Employment	
China • *Labour Law of the People's Republic of China*[*B2, B4] • *Labour Contract Law of the People's Republic of China* • *Labour Dispute Mediation and Arbitration Law of the People's Republic of China* • *Regulation on the Implementation of the Employment Contract Law of the People's Republic of China* • *Regulation on Paid Annual Leave for Employees*	During the Reporting Period, the Group has neither experienced any significant problems with its employees or disruptions to its operations due to labour disputes over compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, nor has it experienced any 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.
Myanmar • *Myanmar Companies Law**[B4, B6] • *Labour Organization Law**[B2, B4] • *Settlement of Labour Dispute Law* • *Employment and Skill Development Law* • *Minimum Wage Law* • *Payment of Wages Law* • *Social Security Law**[B2, B4]	The Group did not receive any complaint about unequal employment.
Aspect B2: Health and Safety	
China • *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* • *Work Safety Law of the People's Republic of China* • *Provisions on the Supervision and Administration of Occupational Health at Work Sites* • *Regulation on Work-Related Injury Insurance*	During the Reporting Period, the Group was not subject to any punishment by the government and not involved in any lawsuit and there were no cases of fatality.
Aspect B4: Labour Standards	
China • *Law of the People's Republic of China on the Protection of Minors* • *Provisions on the Prohibition of Using Child Labour*	During the Reporting Period, there were no cases of illegal child and forced labour found in the factories of the Group.

The Laws[1] and Regulations Corresponding to the Aspects in the ESG Guide	Performance
Aspect B6: Product Responsibility	
China • *Trademark Law of the People's Republic of China* • *Product Quality Law of the People's Republic of China* • *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* • *Regulation on the Implementation of the Trademark Law of the People's Republic of China*	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 were no cases of recalling products for safety and health reasons. 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.
Aspect B7: Anti-corruption	
China • *Criminal Law of the People's Republic of China* • *Anti-Money Laundering Law of the People's Republic of China* • *Company Law of the People's Republic of China*	During the Reporting Period, the Group did not receive any allegation against the Group or its employees of bribery, extortion, fraud, and money laundering. There were neither on-going or concluded legal cases regarding corrupt practices brought against the Group or its employees.
Myanmar • *Anti-corruption Law*	No whistleblowing disclosures relating to anti-bribery and anti-corruption were received.

1 Particular laws cover several topics provisioned in the Aspects; these laws are marked with an asterisk and codes of Aspects being covered.

APPENDIX 2: ESG CONTENTS INDEX

	Subject Areas, Aspects, General Disclosures and KPIs	
A. Environment	**"Comply or explain" Provisions**	**Section/Reasons for Omissions**
Aspect A1: Emission	General Disclosure	Environmental Policy
	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.	Appendix 1
	KPI A1.1 The types of emissions and respective emissions data.	Environmental Impacts
	KPI A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	KPI A1.5 Description of measures to mitigate emissions and results achieved.	
	KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	

Subject Areas, Aspects, General Disclosures and KPIs

A. Environment	**"Comply or explain" Provisions**	**Section/Reasons for Omissions**
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).	
	KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
	KPI A2.3 Description of energy use efficiency initiatives and results achieved.	
	KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	
	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 over the packaging materials for products ready for delivery due to the nature of its business model. The Group, entering into contracts with customers, acts as a contractor to produce products according to the criteria stated in the contracts with no control over the specifications of products and the selections of packaging materials.

A. Environment	Subject Areas, Aspects, General Disclosures and KPIs "Comply or explain" Provisions	Section/Reasons for Omissions
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.	

B. Social	Subject Areas, Aspects, General Disclosures and KPIs "Comply or explain" Provisions	Section/Reasons for Omissions
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 Standard Appendix 1
	KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	
	KPI B1.2 Employee turnover rate by gender, age group and geographical region.	

Subject Areas, Aspects, General Disclosures and KPIs

B. Social	**"Comply or explain" Provisions**	**Section/Reasons for Omissions**
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 Appendix 1
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. 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 Appendix 1

B. Social	Subject Areas, Aspects, General Disclosures and KPIs "Comply or explain" Provisions	Section/Reasons for Omissions
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.	
	KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	
Aspect B6: Product Responsibility	General Disclosure	Product Responsibility
	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.	Appendix 1
	KPI B6.2 Number of products and service related complaints received and how they are dealt with	Appendix 1

	Subject Areas, Aspects, General Disclosures and KPIs		
B. Social	**“Comply or explain” Provisions**		**Section/Reasons for Omissions**
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Product Responsibility
	KPI B6.4	Description of quality assurance process and recall procedures.	
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	
Aspect B7: Anti-corruption	General Disclosure		Anti-corruption
	Information on:		Appendix 1
	(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.	
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
Community			
Aspect B8: Community Investment	General Disclosure		Our Community
	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.		

CORPORATE GOVERNANCE PRACTICES

The Board is pleased to present this report in the Group's annual report for the year ended 31 December 2018.

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 2018, 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.

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. Du Shuwei, 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.

The Nomination Committee will review annually the structure, size and composition of the Board and, where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy.

In reviewing and assessing the Board composition and the nomination of directors (as applicable), board diversity has to be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and length of services.

The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to 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 2018 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.

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 2018.

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 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 2018 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 2018.

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.

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 2018 are set out below:

	Number of meetings attended/held				
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive Directors					
Mr. Wang Bin	5/5	–	–	2/2	1/1
Ms. Tian Ying	5/5	–	3/3	–	1/1
Mr. Du Shuwei (appointed on 1 November 2018)	1/1	–	–	–	–
Mr. Lam Tet Foo (resigned on 1 November 2018)	4/4	–	–	–	1/1
Non-executive Director					
Mr. Zhang Yanlin	3/3	–	–	–	1/1
Independent non-executive Directors					
Mr. Xu Dun Kai	3/3	2/2	3/3	–	1/1
Ms. Feng Xin	3/3	2/2	–	2/2	1/1
Mr. Hu Quansen	3/3	2/2	3/3	2/2	1/1

Audit Committee

The Audit Committee comprises solely independent non-executive Directors, namely, Mr. Hu Quansen, Mr. Xu Dunkai and Ms. Feng Xin. 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.

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

The Group's audited financial statements and annual report for the year ended 31 December 2018 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 2019, 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 2018, 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 three time during the year ended 31 December 2018, 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 2018 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 section headed "Board Committees".

For the year ended 31 December 2018, 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 2018, 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".

The Group adopted a nomination policy (the "Nomination Policy") on 23 January 2019. A summary of this policy is disclosed as below:

Selection Criteria

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- character and integrity
- qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy that are relevant to the Company's business and corporate strategy
- any measurable objectives adopted for achieving diversity on the Board

- requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules

- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity

- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company

- such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning

Nomination Process

(a) Appointment of New Director

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, redesignation, referral by other member of the management and external recruitment agents.

(ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

(b) Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

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 2018. The details of the Company Secretary are set out under the section headed "Biographies of Directors and Senior Management" of this annual 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 2018.

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 RMB750,000 and RMB219,000, 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.

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 2018. 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.

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 2018, 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 2018.

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 38 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 2018 and its state of affairs as at that date are set out in the consolidated financial statements on pages 86 to 92.

No interim dividend was paid during the year. The Directors did not recommend payment of a final dividend for the year ended 31 December 2018.

Dividend Policy

On 23 January 2019, the Board has approved and adopted a dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements, future business growth and its shareholding value.

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 30 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 7.7% 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 2018, the Company's reserves available for distribution amounted to Nil (as at 31 December 2017: 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. Du Shuwei (appointed on 1 November 2018)
Mr. Lam Tet Foo (resigned on 1 November 2018)

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

Mr. Wang Bin, Ms. Tian Ying and Mr. Du Shuwei entered into a service contract with the Company for an initial term of three years commencing from 12 October 2016, 12 October 2016 and 1 November 2018, respectively, 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 2018, 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 2018 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 2018, 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)	52.73%
Joint Full International Limited	Through controlled corporation	260,661,501 (L)	52.73%
永泰控股集團有限公司	Through controlled corporation	260,661,501 (L)	52.73%
永泰科技投資有限公司	Through controlled corporation	260,661,501 (L)	52.73%
Wang Guangxi	Through controlled corporation	260,661,501 (L)	52.73%
Guo Tianshu	Interest held by spouse	260,661,501 (L)	52.73%

Note:

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

Save as disclosed above, as at 31 December 2018, 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 35 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 2018, 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 2018.

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 2018.

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 15.1% (2017: 6.4%) of the Group's total purchases. The Group's five largest suppliers accounted for 34.3% (2017: 23.7%) of the Group's total purchases.

In the year under review, the Group's sales to its five largest customers accounted for 41.0% (2017: 47.0%) of the Group's total sales. The Group's largest customer accounted for 16.3% (2017: 17.7%) 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 terms of reference of the Audit Committee have been recently revised on 23 January 2019. 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 2018. The consolidated financial statements for the year ended 31 December 2018 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 59 to 71 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 2019

INDEPENDENT AUDITOR'S REPORT

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

信永中和(香港)
會計師事務所有限公司
香港銅鑼灣
希慎道33號利園一期43樓

TO THE SHAREHOLDERS OF GREATIME INTERNATIONAL HOLDINGS 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 86 to 172, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 ("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 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 of trade and bills receivables, and other receivables

Refer to notes 20 and 23 to the consolidated financial statements and the accounting policies on pages 112 to 116.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the Group has trade and bills receivables, and other receivables of approximately RMB42,237,000 and RMB11,232,000 respectively. For the year ended 31 December 2018, an impairment loss on trade and bills receivables, and other receivables of approximately RMB224,000 and RMB89,000 were recognised respectively. We have identified impairment of trade and other receivables as a key audit matter due to its significance to the consolidated financial statements and the measurement of expected credit loss involves the Group's significant degree of judgment and a number of assumptions are applied to develop the expected credit losses ("ECL") models for calculating the impairment provision.	Our procedures were designed to review management's assessment on the ECL model on trade and bills receivables and other receivables. We have evaluated the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and ECL estimation. We have reviewed and assessed the application of the Group's policy for calculating the ECL. We have evaluated the methodologies, inputs used by the external valuer to estimate the impairment of trade and bills receivables, and other receivables and evaluated the techniques and methodology in the ECL model against the requirements of HKFRS 9. We have checked on a sample basis, the accuracy and appropriateness of the input data provided by management to the external valuer such as information of aging of trade and bills receivables and historical data. We have evaluated the external value's competence, capabilities and objectivity. We have also assessed the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgments, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowance.

Impairment of property, plant and equipment

Refer to note 17 to the consolidated financial statements and the accounting policies on pages 121 to 122.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the Group has property, plant and equipment of approximately RMB189,951,000. We have identified impairment of property, plant and equipment as a key audit matter due to its significance to the consolidated financial statements and the assessment involves the Group's significant degree of judgment.	We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessed the management's impairment testing. Our procedures in relation to management's impairment assessment of property, plant and equipment included: We have understood the methodologies used by the external valuer to estimate market values of the property, plant and equipment. We have assessed the appropriateness of the valuation methodology by challenging the data used as inputs for the valuation, which included discount rates, second hand market prices of comparables, transaction costs reviewed the basis of calculation and compared the input data to market sources. We have evaluated the external value's competence, capabilities and objectivity. We have checked on a sample basis, the accuracy and appropriateness of the input data provided by management to the external valuer such as information of property, plant and equipment and historical data. We have assessed the key assumptions and input data used by management to estimate market values based on our knowledge of the business and industry. We have considered the potential impact of reasonably possible downside changes in these key assumptions.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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.

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 Company's 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 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Revenue	7	**347,196**	314,119
Cost of sales		**(280,643)**	(266,227)
Gross profit		**66,553**	47,892
Other income and gains	9	**7,343**	4,409
Selling and distribution expenses		**(11,582)**	(9,929)
Administrative expenses		**(77,501)**	(68,580)
Finance costs	10	**(4,510)**	(3,549)
Loss before tax		**(19,697)**	(29,757)
Income tax expense	11	**(396)**	(672)
Loss for the year	12	**(20,093)**	(30,429)
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**1,216**	(3,703)
Other comprehensive income (expense) for the year		**1,216**	(3,703)
Total comprehensive expense for the year		**(18,877)**	(34,132)
Loss per share:			
– Basic and diluted (RMB)	16	**(0.04)**	(0.07)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**189,951**	190,798
Goodwill	18	**–**	–
Prepaid lease payments	19	**14,105**	14,354
Prepayments and other receivables	20	**9,758**	2,862
Deposits paid to acquire property, plant and equipment		**74**	942
Deferred tax assets	21	**630**	546
		214,518	209,502
CURRENT ASSETS			
Inventories	22	**56,605**	43,497
Trade and bills receivables	23	**42,237**	41,966
Prepayments and other receivables	20	**8,766**	11,593
Prepaid lease payments	19	**414**	408
Pledged bank deposits	24	**20,000**	1,548
Cash and bank balances	24	**147,664**	160,868
		275,686	259,880
CURRENT LIABILITIES			
Trade and bills payables	25	**46,327**	45,304
Accruals and other payables	26	**19,127**	19,265
Advance from customers		**–**	2,930
Contract liabilities	28	**1,833**	–
Loan from a shareholder	29	**4,412**	4,191
Interest-bearing borrowings	27	**121,000**	82,000
Income tax payables		**922**	396
		193,621	154,086
Net current assets		**82,065**	105,794
Total assets less current liabilities		**296,583**	315,296
NON-CURRENT LIABILITY			
Deferred tax liabilities	21	**469**	537
NET ASSETS		**296,114**	314,759

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTE	**2018** **RMB'000**	2017 RMB'000
CAPITAL AND RESERVES			
Share capital	30	**148,929**	148,929
Reserves		**147,185**	165,830
TOTAL EQUITY		**296,114**	314,759

The consolidated financial statements on pages 86 to 172 were approved and authorised for issue by the board of directors on 26 March 2019 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 2018

	Attributable to owners of the Company						
	Share capital RMB'000	**Statutory reserve** RMB'000 (Note (a))	**Exchange reserve** RMB'000	**Special reserve** RMB'000 (Note (b))	**Other reserve** RMB'000 (Note (c))	**Retained earnings** RMB'000	**Total** RMB'000
As at 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 translating foreign operations	–	–	(3,703)	–	–	–	(3,703)
Total comprehensive expense for the year	–	–	(3,703)	–	–	(30,429)	(34,132)
Shares issued from placing (note 30)	58,412	–	–	–	–	–	58,412
Transaction cost attributable to shares issued from placing (note 30)	(589)	–	–	–	–	–	(589)
	57,823	–	–	–	–	–	57,823
As at 31 December 2017 (as originally stated)	148,929	37,191	(259)	(83)	5,800	123,181	314,759
Effect of changes in accounting policies (note 2)	–	–	–	–	–	232	232
As at 1 January 2018 (as restated)	148,929	37,191	(259)	(83)	5,800	123,413	314,991
Loss for the year	–	–	–	–	–	(20,093)	(20,093)
Other comprehensive income for the year:							
Exchange differences arising on translation of foreign operations	–	–	1,216	–	–	–	1,216
Total comprehensive income (expense) for the year	–	–	1,216	–	–	(20,093)	(18,877)
As at 31 December 2018	148,929	37,191	957	(83)	5,800	103,320	296,114

Notes:

(a) Statutory reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's People's Republic of China (the "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 2018

	2018	2017
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(19,697)**	(29,757)
Adjustments for:		
Depreciation of property, plant and equipment	**23,400**	25,528
Impairment loss on inventories	**898**	–
Amortisation of prepaid lease payments	**409**	389
Net loss (gain) on disposal of property, plant and equipment	**801**	(223)
Loss on written off of property, plant and equipment	**2,100**	–
Impairment loss on trade and bills receivables	**224**	1,496
Impairment loss on loan receivables	**89**	–
Finance costs	**4,510**	3,549
Bank interest income	**(1,916)**	(1,217)
Loan interest income	**(168)**	–
Government grants	**(250)**	–
Operating cash flows before movements in working capital	**10,400**	(235)
(Increase) decrease in inventories	**(13,720)**	825
Decrease in trade and bills receivables	**318**	4,315
Decrease (increase) in prepayments and other receivables	**3,282**	(1,503)
Increase in trade and bills payables	**1,023**	13,390
(Decrease) increase in accruals and other payables	**(317)**	2,330
(Decrease) increase in advance from customers	**(2,933)**	1,092
Increase in contract liabilities	**1,849**	–
Cash (used in) generated from operations	**(98)**	20,214
PRC income tax refund (paid)	**528**	(944)
Withholding tax paid	**(553)**	(544)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(123)**	18,726
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(25,089)**	(19,355)
Deposits paid to acquire property, plant and equipment	**(74)**	(942)
Loan advanced	**(7,500)**	–
Payment for prepaid lease payment	**–**	(3,322)
Placement of pledged bank deposits	**(22,451)**	(9,597)
Withdraw of pledged bank deposits	**3,999**	11,274
Proceeds from disposal of property, plant and equipment	**339**	3,857
Interest received	**1,916**	1,217
NET CASH USED IN INVESTING ACTIVITIES	**(48,860)**	(16,868)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
FINANCING ACTIVITIES		
Repayment of borrowings	**(88,000)**	(88,000)
New borrowings raised	**127,000**	82,000
Advance from a shareholder	**–**	4,240
Proceeds from issue of shares	**–**	58,412
Expense on issue of shares	**–**	(589)
Government grants received	**250**	–
Interest paid	**(4,538)**	(3,861)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**34,712**	52,202
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(14,271)**	54,060
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**160,868**	109,876
Effect of foreign exchange rate changes	**1,067**	(3,068)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER, represented by cash and bank balances	**147,664**	160,868

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 principal place of business is located at Room 4408, 44/F, 183 Queen's Road East, Wan Chai, Hong Kong.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are engaged in the manufacturing of and provision of processing services on 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 subsidiaries established in Hong Kong and Myanmar are denoted in United States dollars ("USD") and Myanmar Khamed ("MMK").

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

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standard ("HKAS") and HK(IFRIC) Interpretation ("HK(IFRIC)-Int") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue.

The Group's accounting policies for its revenue streams are disclosed in detail in note 3 below.

The transition to HKFRS 15 has no impact on the retained earnings at 1 January 2018.

The amount of adjustment for each financial statement line item of the consolidated statement of financial position at 1 January 2018 affected by the application of HKFRS 15 is illustrated below. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported as 31 December 2017	**Impact on adoption of HKFRS 15 – Reclassification**	**Carrying amount under HKFRS 15 as restated at 1 January 2018***
	RMB'000	RMB'000	RMB'000
Advances from customers	2,930	(2,930)	–
Contract liabilities	–	2,930	2,930

* The amount in this column is before the adjustment from the adoption of HKFRS 9.

Advances from customers

As at 1 January 2018, the "advances from customers" of approximately RMB2,930,000 was reclassified to contract liabilities.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018

The following tables summarise the estimated impact of applying HKFRS 15 on the consolidated statement of financial position at 31 December 2018, by comparing the amounts reported under HKAS 18 and related interpretations that were in effect before the change. Line items that were not affected by the adjustments have not been included. The adoption of HKFRS 15 did not have material impact on the Group's operating, investing and financing cash flows and on the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

Impact on the consolidated statement of financial position at 31 December 2018 is illustrated below:

	As reported	**Impact on adoption of HKFRS 15**	**Amounted excluding impacts on adoption of HKFRS 15**
	RMB'000	RMB'000	RMB'000
Advances from customers	–	1,833	1,833
Contract liabilities	1,833	(1,833)	–

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings as at 1 January 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in note 3 below.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial instruments (Continued)

(i) Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are continued to measure at amortised cost as were previously measured under HKSA 39.

Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL model. As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9.

As at 1 January 2018, a reversal of impairment loss on the Group's trade and bills receivables of approximately RMB232,000 have been recognised, thereby increasing the opening retained earnings of approximately RMB232,000.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial instruments (Continued)

Summary of effects arising from initial application of HKFRS 9

The table below summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets and reconciles the carrying amounts of financial assets under HKAS 39 to the carrying amounts under HKFRS 9 on 1 January 2018.

	Carrying amount at 31 December 2017 (HKAS 39)	Impact on adoption of HKFRS 9 – Reclassification	Impact on adoption of HKFRS 9 – Remeasurement	Carrying amount under HKFRS 9 as restated at 1 January 2018*
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loan and receivables				
– Trade and bills receivables	41,966	(41,966)	–	–
– Other receivables	4,591	(4,591)	–	–
– Pledged bank deposits	1,548	(1,548)	–	–
– Cash and bank balances	160,868	(160,868)	–	–
At amortised cost				
– Trade and bills receivables	–	41,966	232	42,198
– Other receivables	–	4,591	–	4,591
– Pledged bank deposits	–	1,548	–	1,548
– Cash and bank balances	–	160,868	–	160,868

* The amount in this column is before the adjustment from the adoption of HKFRS 15.

Note:

Financial assets which the Group had previously classified as loan and receivables under HKAS 39 were subject to reclassify as at amortised cost upon the application of HKFRS 9 as all financial assets passed the contractual cash flow test and with the business model objective to hold to collect contractual cash flows.

All the financial liabilities have not been impacted by the application of HKFRS 9 and continue to be classified and measured on the same basis as they were under HKAS 39.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial instruments (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

The table below summarises the impact of transition to HKFRS 9 on retained earnings at 1 January 2018.

	Retained earnings RMB'000
Balance at 31 December 2017 as originally stated	123,181
Reversal of impairment under ECL model	232
Total change as a result of adoption of HKFRS 9 on 1 January 2018	232
Balance at 1 January 2018 as restated	123,413

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under HKAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of HKFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of HKFRS 9.

2. APPLICATION OF NEW AND AMENDMENTS TO 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 amendments to HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
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 1 and HKAS 8	Amendments to Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

2. APPLICATION OF NEW AND AMENDMENTS TO 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.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately RMB3,627,000 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 to determine 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 and by the Hong Kong Companies Ordinance.

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

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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

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.

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 Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Policy applicable to the year ended 31 December 2018 (with application of HKFRS 15)

Revenue is recognised 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. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 December 2018 (with application of HKFRS 15) (Continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- sales of innerwear products and knitted fabrics
- provision of processing services on innerwear products and knitted fabrics

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 December 2018 (with application of HKFRS 15) (Continued)

Contract assets and contract liabilities (Continued)

Revenue from sales of innerwear products and knitted fabrics is recognised at the point when the control of the goods is transferred to the customers (generally on delivery of innerwear products and knitted fabrics).

Service income from provision of processing services on innerwear products and knitted fabric is recognised at the point when the control of the goods is transferred to the customers (generally on delivery of innerwear products and knitted fabrics).

Policy applicable to the year ended 31 December 2017

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 sales 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits costs 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 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.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 loss 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 construction in progress 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 construction in progress) 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.

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 statement of cash flows, cash and cash equivalents consist of cash and bank balances as defined above.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement 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.

Under HKFRS 9 (applicable on or after 1 January 2018)

Financial assets

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.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) Amortised cost and 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.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) Amortised cost and effective interest method (Continued)

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other income and gains" line item (note 9).

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and bills receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the worldwide economic growth and global probability of corporate default, obtained from economic expert reports, financial analysts.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of the reporting period.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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.

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies are measured in accordance with the specific accounting policies set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the 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 amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Under HKAS 39 (applicable before 1 January 2018)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 January 2018) (Continued)

Financial assets (Continued)

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.

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, pledged 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 of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 January 2018) (Continued)

Financial assets (Continued)

Impairment loss of financial assets (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 January 2018) (Continued)

Financial liabilities and equity instruments (Continued)

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.

Equity instruments

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 January 2018) (Continued)

Derecognition (Continued)

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 they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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 immediately in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENT AND 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 amounts of assets, liabilities, revenue and expenses 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 on-going 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.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Legal title of buildings

As at 31 December 2018, the Group was applying for certificates of ownership for buildings with carrying values of approximately RMB10,293,000 (2017: RMB7,958,000) 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.

Key sources of estimation uncertainty

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. CRITICAL ACCOUNTING JUDGMENT AND 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 2018, the carrying amount of property, plant and equipment was approximately RMB189,951,000 (2017: RMB190,798,000).

Impairment of trade and bills receivables, and other receivables

The impairment provisions for trade and bills receivables, and other receivables are based on assumptions about ECL. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

At 31 December 2018, the carrying amount of trade and bills receivables is approximately RMB42,237,000 (2017: RMB41,966,000), net of accumulated impairment losses of approximately RMB1,541,000 (2017: RMB1,535,000).

At 31 December 2018, the carrying amount of other receivables is approximately RMB11,412,000 (2017: RMB4,591,000), net of accumulated impairment losses of approximately RMB89,000 (2017: nil).

During the year ended 31 December 2018, impairment loss of approximately RMB224,000 (2017: impairment loss of RMB1,496,000) was recognised on trade receivables and an impairment loss of approximately RMB89,000 (2017:nil) was recognised on loan receivables.

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 2018, the carrying amount of inventories was approximately RMB56,605,000 (2017: RMB43,497,000).

During the year ended 31 December 2018, approximately RMB898,000 (2017: nil) of impairment loss on inventories was recognised.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 2018, the carrying amount of property, plant and equipment was approximately RMB189,951,000 (2017: RMB190,798,000). No impairment loss on property, plant and equipment was recognised for both years.

Income taxes

As at 31 December 2018, deferred tax asset of approximately RMB630,000 (2017: RMB546,000), 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 RMB40,006,000 (2017: RMB57,457,000) as at 31 December 2018, 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.

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 interest-bearing borrowings and loan from a shareholder as disclosed in note 27 and note 29 respectively, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

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 associated 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, the issue of new borrowings or repayment of existing borrowings.

6. FINANCIAL INSTRUMENTS

a. *Categories of financial instruments*

	2018 **RMB'000**	2017 RMB'000
Financial assets		
Financial assets at amortised cost/loans and receivables (including cash and cash equivalents)	**218,265**	204,458
Financial liabilities		
Financial liabilities at amortised cost	**188,225**	147,288

b. *Financial risk management objectives and policies*

The Group's major financial instruments include trade and bills receivables, other receivables, pledged 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.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk

As at 31 December 2018, 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 statement of financial position.

The credit risk of our Group mainly arises from cash and cash equivalents, trade and bills receivables and other receivables. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

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.

As at 31 December 2017, impairment loss was recognised when there was objective evidence of impairment loss.

Starting from 1 January 2018, for trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

The loan and interest receivables included in other receivables are unsecured. The maximum exposure to credit risk in respect of the loans at the end of the reporting period and the key terms of the loans are disclosed in note 20.

Management considered other receivables to be low credit risk and thus impairment provision recognised during the year was limited to 12-month ECL. The Group determines the ECL on an individual basis by using probability of default. 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.

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.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant increase in credit risk on other financial instruments of the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

In order to minimise credit risk, the management develops and maintains the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's exposure to credit risk

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising ECL**
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The credit quality of the Group's financial assets and the Group's maximum exposure to credit risk by credit risk rating grades are disclosed in notes 20 and 23 respectively.

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

As at 31 December 2018, the Group's concentration of credit risk by geographical locations is mainly in Italy and the PRC which accounted for 10% and 77% (2017: Japan and the PRC which accounted for 16% and 58%) respectively of the total receivables.

As at 31 December 2018, the Group has concentration of credit risk as 2% (2017: 1%) and 25% (2017: 23%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

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 2018, approximately 51% (2017: 50%), of the Group's sales are denominated in USD, a currency other than the functional currencies of the group entities making the sales, whilst almost 100% (2017: 100%) of costs are denominated in the group entity's respective functional currencies.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

Also, certain trade and other receivables, cash and bank balances, other payables and loan from a shareholder are denominated in USD, 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:

	2018	2017
	RMB'000	RMB'000
Assets		
USD	**60,639**	7,170
HKD	**362**	58,067
RMB	**4,014**	53
Liabilities		
USD	**4,412**	4,191
HKD	**1,634**	1,915

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.

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% (2017: 5%) increase and decrease in the functional currency of the relevant group entities against the relevant foreign currencies. 5% (2017: 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% (2017: 5%) change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Foreign currency risk (Continued)

Sensitivity analysis (Continued)

A positive number below indicates a decrease in post-tax loss where the respective foreign currency strengthens 5% (2017: 5%) against the relevant functional currency. For a 5% (2017: 5%) weakening of the respective foreign currency against the relevant functional currency, there would be an equal and opposite impact on the profit or loss.

	USD impact	
	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Decrease in loss	**2,108**	112

	HKD impact	
	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
(Increase) decrease in loss	**(48)**	2,106

	RMB impact	
	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Decrease in loss	**151**	2

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate loan receivables (note 20) and interest-bearing borrowings (note 27) and cash flow interest rate risk in relation to variable-rate interest-bearing pledged bank deposits (note 24), bank balances (note 24) and borrowings (note 27). The Group currently does not have an interest rate hedging policy. However, the directors of the Company continuously monitor the related interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

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.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments including interest-bearing pledged 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 (2017: 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 (2017: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2018 (2017: post-tax loss) would decrease or increase by approximately RMB91,000 (2017: RMB410,000).

6. FINANCIAL INSTRUMENTS (Continued)

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

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.

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.

As at 31 December 2018	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	46,327	46,327	46,327
Accruals and other payables	16,486	16,486	16,486
Loan from a shareholder	4,412	4,412	4,412
Interest-bearing borrowings			
– fixed rate	48,000	48,000	48,000
– variable rate	73,000	73,000	73,000
	188,225	188,225	188,225

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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	40,000	40,000	40,000
– variable rate	42,000	42,000	42,000
	147,288	147,288	147,288

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.

Bank borrowings with a repayment on demand clause are included in the"on demand or within one year"time band in the above maturity analysis. As at 31 December 2018 and 2017, the aggregate undiscounted principal amounts of these bank loans amounted to RMB121,000,000 and RMB82,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB124,638,000 (2017: RMB83,514,000).

7. REVENUE

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

Revenue from contracts with customers within the scope of HKFRS 15 for the year ended 31 December 2018

Disaggregated by major products or service lines

	2018 RMB'000	2017* RMB'000
Manufacture and sale of products:		
– Innerwear products	**242,129**	248,969
– Knitted fabrics	**59,841**	34,120
	301,970	283,089
Processing service income:		
– Innerwear products	**13,982**	5,040
– Knitted fabrics	**31,244**	25,990
	45,226	31,030
	347,196	314,119

* The amounts for the year ended 31 December 2017 were recognised under HKAS 18.

Disaggregation of revenue by timing of recognition

	Year ended 31/12/2018 RMB'000
Timing of revenue recognition	
At a point in time and total revenue from contracts with customers	347,196

8. SEGMENT INFORMATION

The Group's operating segments, by category of products, based on information reported to the directors of the Company, being the chief operating decision makers ("CODM") for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

1) Innerwear products – manufacturing and sale of and provision of processing services on innerwear and garments

2) Knitted fabrics – manufacturing and sale of and provision of processing services on knitted fabrics

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

	Year ended 31 December 2018		
	Innerwear products RMB'000	Knitted fabrics RMB'000	Total RMB'000
Revenue			
External sales	256,111	91,085	347,196
Inter-segment revenue	122,041	52,060	174,101
Segment revenue	378,152	143,145	521,297
Eliminations			(174,101)
Group's revenue			347,196
Segment profit (loss)	5,102	(6,785)	(1,683)
Other income and gains			2,084
Finance costs			(4,510)
Unallocated head office and corporate expenses			(15,588)
Loss before tax			(19,697)

8. SEGMENT INFORMATION (Continued)

	Year ended 31 December 2017		
	Innerwear products RMB'000	Knitted fabrics RMB'000	Total 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
Eliminations			(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)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by (loss) from each segment without allocation of bank interest income and interest income on loan receivables, directors' and chief executive's emoluments, finance costs and unallocated head office and corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market price.

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 2018		
	Innerwear products RMB'000	Knitted fabrics RMB'000	Total RMB'000
Segment assets	187,020	126,101	313,121
Unallocated assets:			
Property, plant and equipment			836
Cash and bank balances			147,664
Pledged bank deposits			20,000
Deferred tax assets			630
Prepayments			46
Other receivables			7,907
Consolidated assets			490,204
Segment liabilities	45,573	20,006	65,579
Unallocated liabilities:			
Other payables			1,708
Loan from a shareholder			4,412
Income tax payables			922
Interest-bearing borrowings			121,000
Deferred tax liabilities			469
Consolidated liabilities			194,090

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

	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
Pledged 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

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, prepayments for general operation, certain other receivables, deferred tax assets, pledged 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.

8. SEGMENT INFORMATION (Continued)

Other segment information

	Year ended 31 December 2018			
	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	11,642	11,915	252	23,809
Net loss on disposal of property, plant and equipment	445	356	-	801
Loss on written off of property, plant and equipment	-	2,100	-	2,100
(Reversal of) impairment loss on inventories (Note)	(888)	1,786	-	898
Deposits paid to acquire property, plant and equipment	74	-	-	74
Impairment loss on trade receivables	52	172	-	224
Additions to property, plant and equipment	7,472	18,703	1	26,176

Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:

	Innerwear products RMB'000	Knitted fabrics RMB'000	Unallocated RMB'000	Total RMB'000
Impairment loss on loan receivables	-	-	89	89
Bank interest income	(573)	(265)	(1,078)	(1,916)
Interest income on loan receivables	-	-	(168)	(168)
Interest expense	3,218	1,292	-	4,510
Income tax (credit) expense	(64)	-	460	396

Note: During the year, certain long aged inventories were sold. As a result, a reversal of write-down of inventories of approximately RMB888,000 (2017: nil) has been recognised and included in cost of sales in the current year.

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

	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 or segment assets:

	Innerwear products RMB'000	Knitted fabrics RMB'000	Unallocated RMB'000	Total RMB'000
Bank interest income	(754)	(461)	(2)	(1,217)
Interest expense	2,406	1,124	19	3,549
Income tax expense	231	–	441	672

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 contracts with external customers		Non-current assets	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (country of domicile)	**167,262**	155,756	**191,220**	201,408
Japan	**155,499**	126,262	**–**	–
United States	**12,200**	8,402	**–**	–
Italy	**10,156**	17,270	**–**	–
Others	**2,079**	6,429	**15,089**	7,548
	347,196	314,119	**206,309**	208,956

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

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

	2018	2017
	RMB'000	RMB'000
Customer A (note (a))	**56,459**	55,718
Customer B (notes (a) & (c))	**N/A**	39,403
Customer C (notes (b) & (c))	**N/A**	19,431

Notes:

(a) Revenue from manufacture and sale of and provision of processing services on innerwear and garments segment and from overseas customer.

(b) Revenue from manufacture and sale of and provision of processing services on knitted fabrics segment and from the PRC customer.

(c) The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2018.

9. OTHER INCOME AND GAINS

	2018 RMB'000	2017 RMB'000
Exchange gain, net	**2,037**	–
Sales of scrap materials	**1,984**	2,675
Bank interest income	**1,916**	1,217
Insurance claim received	**456**	–
Government grants (Note)	**368**	163
Interest income on loan receivables	**168**	–
Net gain on disposal of property, plant and equipment	**–**	223
Others	**414**	131
	7,343	4,409

Note:

Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the technology 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

	2018 RMB'000	2017 RMB'000
Interest on bank loans	**4,538**	3,861
Less: amounts capitalised in the cost of qualifying assets	**(28)**	(312)
	4,510	3,549

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 2.3% (2017: 4.9%) per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSE

	2018 **RMB'000**	2017 RMB'000
Current tax:		
PRC Enterprise Income Tax (the "EIT")		
– Under-provision in prior years	**–**	230
Withholding tax	**553**	544
Deferred tax (note 21)	**(157)**	(102)
	396	672

(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.

(b) Hong Kong Profits Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. For the year ended 31 December 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. For the year ended 31 December 2017, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

No provision for Hong Kong Profits Tax had been made for the years ended 31 December 2018 and 2017 as there was no estimated assessable profit derived from Hong Kong subsidiaries.

11. INCOME TAX EXPENSE (Continued)

(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% for the years ended 31 December 2018 and 2017. No provision for EIT had been made for the years ended 31 December 2018 and 2017 as there was either no estimated assessable profit derived from PRC subsidiaries or the assessable profit is wholly absorbed by tax losses brought forward.

(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 of 10% is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards.

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

	2018 **RMB'000**	2017 RMB'000
Loss before tax	**(19,697)**	(29,757)
Tax at the domestic income rate of 25% (2017: 25%)	**(4,924)**	(7,439)
Tax effect of income not taxable for tax purpose	**(211)**	(23)
Tax effect of expenses not deductible for tax purpose	**2,398**	3,284
Tax effect of tax deductible temporary difference not recognised	**262**	374
Tax effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**461**	513
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,371**	217
Tax effect of tax losses not recognised	**2,615**	3,643
Under-provision in prior years	**–**	230
Utilisation of tax losses previously not recognised	**(1,576)**	(127)
Income tax expense for the year	**396**	672

Details of deferred taxation are set out in note 21.

12. LOSS FOR THE YEAR

	2018 RMB'000	2017 RMB'000
Loss for the year has been arrived at after charging (crediting):		
Salaries and other benefits	**98,010**	84,811
Contributions to retirement benefit schemes	**12,200**	10,990
Total staff costs (including directors' and chief executive's emoluments)	**110,210**	95,801
Auditor's remuneration	**759**	751
Amortisation of prepaid lease payments	**409**	389
Depreciation of property, plant and equipment	**23,400**	25,528
Net loss (gain) on disposal of property, plant and equipment	**801**	(223)
Loss on written off of property, plant and equipment	**2,100**	–
Amount of inventories recognised as an expense	**238,387**	224,919
Impairment loss on inventories (included in cost of sales)	**898**	–
Impairment loss on trade receivables (included in administrative expenses)	**238**	1,496
Impairment loss on loan receivables	**89**	–
Net exchange (gain) loss	**(2,037)**	733
Operating lease rentals in respect of rented premises	**3,358**	2,465

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

For the year ended 31 December 2018

Name of Director	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Total RMB'000
Executive directors				
Mr. Wang Bin	–	1,011	–	1,011
Ms. Tian Ying	–	1,011	–	1,011
Mr. Du Shuwei (appointed on 1 November 2018)	–	253	–	253
Mr. Lam Tet Foo (resigned on 1 November 2018)	–	267	–	267
	–	2,542	–	2,542
Non-executive directors				
Mr. Zhang Yanlin	168	–	–	168
Independent non-executive directors				
Mr. Xu Dunkai	126	–	–	126
Ms. Feng Xin	126	–	–	126
Mr. Hu Quanse	126	–	–	126
	378	–	–	378
Total	546	2,542	–	3,088

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 31 December 2017

Name of Director	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Total 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

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 undertakings. 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 undertakings.

No directors or chief executive of the Company waived or agreed to waive any emolument paid by the Group during the years ended 31 December 2018 and 2017. No emoluments were paid by the Group to any of the directors or chief executive 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 2018 and 2017.

Ms. Tian Ying resigned from the chief executive on 1 November 2018 and her emoluments disclosed above included those for services rendered by her as the chief executive until the date of resignation.

Mr. Du Shuwei was also appointed as chief executive of the Group on 1 November 2018 and his emoluments disclosed above include those for services rendered by him as the chief executive.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2017: two) were directors of the Company whose emoluments are included in the disclosure in note 13 above. The emoluments of the remaining three (2017: three) individuals were as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries and other benefits	**3,615**	2,767
Contributions to retirement benefit schemes	**44**	46
	3,659	2,813

Their emoluments were within the following bands:

	2018 **No. of Employees**	2017 No. of Employees
Nil to HKD1,000,000 (2018: equivalent to nil to approximately RMB878,000, 2017: equivalent to nil to approximately RMB835,000)	**–**	1
HKD1,000,001 to HKD1,500,000 (2018: equivalent to approximately RMB878,001 to RMB1,317,000, 2017: equivalent to approximately RMB835,001 to RMB1,266,000)	**2**	2
HKD1,500,001 to HKD2,000,000 (2018: equivalent to approximately RMB1,317,001 to RMB1,757,000, 2017: equivalent to approximately RMB1,266,001 to RMB1,668,000)	**1**	–

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 2018 and 2017.

15. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

16. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended 31 December 2018 is based on the loss for the year attributable to owners of the Company of approximately RMB20,093,000 (2017: RMB30,429,000) and the weighted average of 494,335,330 ordinary shares (2017: 429,102,092) in issue during the year.

Diluted loss per share for the years ended 31 December 2018 and 2017 was the same as the basic loss per share as there were no dilutive potential ordinary shares outstanding during the year ended 31 December 2018 (2017: nil).

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000 (Note)	Leasehold improvements RMB'000	Machinery RMB'000	Office Equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST:							
As at 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 and 1 January 2018	169,997	20,887	126,593	11,350	9,908	7,958	346,693
Additions	503	2,919	13,278	1,459	139	7,878	26,176
Transfer	10,263	–	–	–	–	(10,263)	–
Disposals	(222)	–	(2,079)	(215)	(721)	–	(3,237)
Written off	–	–	(2,620)	–	–	–	(2,620)
Exchange adjustments	–	–	(310)	(65)	85	(216)	(506)
As at 31 December 2018	180,541	23,806	134,862	12,529	9,411	5,357	366,506
ACCUMULATED DEPRECIATION:							
As at 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 and 1 January 2018	47,049	16,379	75,933	9,953	6,581	–	155,895
Provided for the year	8,826	2,635	10,050	888	1,001	–	23,400
Eliminated on disposals	(81)	–	(1,409)	(204)	(404)	–	(2,098)
Eliminated on written off	–	–	(520)	–	–	–	(520)
Exchange adjustments	–	–	(170)	(14)	62	–	(122)
As at 31 December 2018	55,794	19,014	83,884	10,623	7,240	–	176,555
CARRYING VALUES:							
As at 31 December 2018	124,747	4,792	50,978	1,906	2,171	5,357	189,951
As at 31 December 2017	122,948	4,508	50,660	1,397	3,327	7,958	190,798

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)

Note: As at 31 December 2018, the Group was applying for certificates of ownership for buildings with carrying values of approximately RMB10,293,000 (2017: RMB7,958,000) 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.

As at 31 December 2018, certain Group's buildings and machinery with an aggregate carrying amounts of approximately RMB78,557,000 (2017: RMB73,178,000) were pledged to secure the bank borrowings granted to the Group (note 27).

18. GOODWILL

	RMB'000
COST	
At 1 January 2017, at 31 December 2017 and at 31 December 2018	1,008
IMPAIRMENT	
At 1 January 2017, at 31 December 2017 and at 31 December 2018	1,008
CARRYING VALUES	
At 31 December 2018	–
At 31 December 2017	–

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").

Goodwill was fully impaired as at 31 December 2018 and 2017.

19. PREPAID LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Analysed for reporting purposes as:		
Non-current asset	**14,105**	14,354
Current asset	**414**	408
	14,519	14,762

As at 31 December 2018, the Group's prepaid lease payments with an aggregate carrying amount of approximately RMB11,235,000 (2017: RMB11,532,000) were pledged to secure the bank borrowings granted to the Group (note 27).

20. PREPAYMENTS AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Non-current asset:		
Loan receivables (Note)	**7,668**	–
Less: Impairment loss on loan receivables	**(89)**	–
	7,579	–
Prepayments	**2,179**	2,862
	9,758	2,862
Current assets:		
Prepayments	**3,988**	6,493
Advance to suppliers	**1,125**	509
Other receivables	**3,653**	4,591
	8,766	11,593
	18,524	14,455

Note: The amounts are unsecured, interest-bearing at 4.35% per annum and repayable on 8 March 2020.

20. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The Group measures the loss allowance for loan receivables at an amount equal to 12-month ECL by applying probability of default approach. An impairment loss of approximately RMB89,000 was recognised during the year ended 31 December 2018. Up to the date of this report, it has been settled of approximately RMB7,000,000. No further impairment was made since there has not been a significant change in credit risk and the amounts are still considered recoverable.

The Group has individually assessed all the remaining other receivables at 12-month ECL and no impairment is recognised as it has low risk of default or has not been significantly increase in credit risk since initial recognition.

The movement in the allowance for impairment of other receivables is set out below:

	2018 **RMB'000**
At the beginning of the year	**–**
Effect on adoption of HKFRS 9	**–**
Impairment loss on loan receivables	**89**
At the end of the year	**89**

As at 31 December 2018 and 2017, all other receivables were neither past due nor impaired.

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

	2018 **RMB'000**	2017 RMB'000
HKD	**451**	314

21. 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, for financial reporting purpose.

	2018 RMB'000	2017 RMB'000
For financial reporting purpose:		
Deferred tax assets	**630**	546
Deferred tax liabilities	**(469)**	(537)
	161	9

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

	Unrealised profit on inventories RMB'000	**Withholding tax on undistributed profit of subsidiaries in the PRC** RMB'000	**Tax losses** RMB'000	**Accelerated tax depreciation** RMB'000	**Total** RMB'000
At 1 January 2017	108	(609)	499	(105)	(107)
Credited to profit or loss for the year	71	31	–	–	102
Exchange difference	–	41	(34)	7	14
As at 31 December 2017 and at 1 January 2018	179	(537)	465	(98)	9
Credited to profit or loss for the year	65	92	–	–	157
Exchange difference	–	(24)	24	(5)	(5)
As at 31 December 2018	244	(469)	489	(103)	161

As at 31 December 2018, the Group has unused PRC and Hong Kong tax losses of approximately RMB28,594,000 and RMB14,377,000 (2017: RMB53,263,000 and RMB7,011,000) respectively available for offsetting against future profits. A deferred tax asset has been recognised in respect of Hong Kong tax losses of approximately RMB2,966,000 (2017: RMB2,817,000) of such losses. No deferred tax asset has been recognised in respect of the remaining Hong Kong tax losses of approximately RMB11,411,000 (2017: RMB4,194,000) and PRC tax losses of approximately RMB28,595,000 (2017: RMB53,263,000) due to unpredictability of future profit streams. All unrecognised PRC tax losses as at 31 December 2018 will expire in 2019 to 2022 (2017: expired in 2018 to 2021). Other losses may be carried forward indefinitely.

21. DEFERRED TAXATION (Continued)

For the year ended 31 December 2018, PRC tax losses of approximately RMB6,304,000 and RMB24,466,000 (2017: RMB507,000 and RMB8,617,000) was being utilised and written off by the Group to set off assessable profit for the year and upon expiry. An addition of approximately RMB6,101,000 and RMB6,694,000 of PRC and HK tax losses (2017: RMB14,027,000, RMB825,000 of PRC and HK tax loss respectively) was recognised respectively for the year ended 31 December 2018.

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB4,378,000 (2017: RMB3,329,000). 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.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB182,422,000 (31 December 2017: RMB195,429,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

22. INVENTORIES

	2018 **RMB'000**	2017 RMB'000
Raw materials	**22,686**	16,706
Work-in-progress	**29,233**	20,687
Finished goods	**4,686**	6,104
	56,605	43,497

23. TRADE AND BILLS RECEIVABLES

	31/12/2018	1/1/2018	31/12/2017
	RMB'000	RMB'000	RMB'000
Receivables at amortised cost comprise:			
Trade and bills receivables	**43,778**	43,501	43,501
Less: allowance for impairment of trade and bills receivables	**(1,541)**	(1,303)	(1,535)
	42,237	42,198	41,966

As at 31 December 2018, the gross amount of trade and bills receivable arising from contracts with customers amounted to approximately RMB43,778,000 (1/1/2018: RMB43,501,000).

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 approximately RMB600,000 (2018: nil) which were pledged to secure the bills payables granted to the Group (note 33).

An aged analysis of trade and bills receivables net of allowance for impairment of trade and bills receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period is as follows:

	2018	2017
	RMB'000	RMB'000
0–30 days	**29,266**	32,335
31–60 days	**5,046**	3,070
61–90 days	**2,035**	1,653
Over 90 days	**5,890**	4,908
	42,237	41,966

23. TRADE AND BILLS RECEIVABLES (Continued)

As at 31 December 2017, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of approximately RMB4,927,000 which are past due as at the year ended 31 December 2017 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 and bills receivables based on payment due date is as follows:

		Neither past	Past due but not impaired		
	Total	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	41,966	37,039	4,527	186	214

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year.

The Group measures the loss allowance for trade and bills receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group recognised lifetime ECL (not credit impaired) for trade and bills receivables based on individually significant customer or the ageing of customers collectively that are not individually significant as follows:

As at 1 January 2018	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.09	37,039	404
Less than 1 month past due	7.52	4,527	340
1 to 2 months past due	25.56	11	3
2 to 3 months past due	25.83	–	–
More than 3 months but less than 6 months past due	25.86	174	45
More than 6 months but less than 12 months past due	28.52	–	–
More than 12 months but less than 36 months past due	29.17	1,750	511
		43,501	1,303

23. TRADE AND BILLS RECEIVABLES (Continued)

As at 31 December 2018	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	**0.78**	**33,791**	**263**
Less than 1 month past due	**5.46**	**4,984**	**272**
1 to 2 months past due	**18.83**	**1,329**	**250**
2 to 3 months past due	**19.04**	**648**	**123**
More than 3 months but less than 6 months past due	**19.06**	**757**	**144**
More than 6 months but less than 12 months past due	**21.04**	**–**	**–**
More than 12 months but less than 36 months past due	**21.54**	**2,269**	**489**
		43,778	**1,541**

Generally, trade and bills receivables are written-off if there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. The Group does not hold any collateral over its trade and bills receivables. No amount was being written off during the years ended 31 December 2018 and 2017.

The movement in the allowance for impairment of trade and bills receivables is set out below:

	2018 RMB'000	2017 RMB'000
At the beginning of the year	**1,535**	39
Effect on adoption of HKFRS 9	**(232)**	–
Impairment loss on trade receivables	**224**	1,496
Exchange realignment	**14**	–
At the end of the year	**1,541**	1,535

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

	2018 RMB'000	2017 RMB'000
USD	**10,110**	2,630

24. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately RMB20,000,000 (2017: RMB1,548,000) have been pledged to secure the short-term bank borrowings (2017: short-term bills payables) and are therefore classified as current assets (note 33). During the year ended 31 December 2018, the balances carried interest at average market rates from 1.10% to 4.50% (2017: 1.10% to 1.30%) per annum and will be released upon the completion of bills payable transactions. The carrying amounts of the Group's pledged bank deposits are denominated in RMB.

During the year ended 31 December 2018, bank balances carried interest at average market rates from 0.001% to 0.35% (2017: 0.001% to 0.35%) 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:

	2018 **RMB'000**	2017 RMB'000
USD	**57,742**	4,540
HKD	**1,345**	57,753
RMB	**4,014**	53
Euro	**527**	1
Pound sterling	**5**	5
	63,633	62,352

25. TRADE AND BILLS PAYABLES

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

	2018 **RMB'000**	2017 RMB'000
0–30 days	**36,350**	32,689
31–90 days	**7,008**	10,781
91–180 days	**466**	1,211
Over 180 days	**2,503**	623
	46,327	45,304

25. TRADE AND BILLS PAYABLES (Continued)

The average credit period on purchase of goods is from 30 to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

As at 31 December 2017, bills payables of approximately RMB1,548,000 (2018: nil) are secured by pledged bank deposits and bills receivables. Details are disclosed in note 33.

26. ACCRUALS AND OTHER PAYABLES

	2018 **RMB'000**	2017 RMB'000
Payroll and welfare payables	**10,954**	11,359
Other tax payables	**2,641**	3,472
Other payables	**5,532**	4,434
	19,127	19,265

Included in the accruals and other payables of approximately RMB213,000 (2018: nil) represents accrued emoluments for directors of the Company 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 currency other than the functional currency of the relevant group entities are set out below:

	2018 **RMB'000**	2017 RMB'000
HKD	**1,744**	1,915

27. INTEREST-BEARING BORROWINGS

	2018 **RMB'000**	2017 RMB'000
Bank borrowings – secured	**121,000**	82,000

Based on the scheduled repayment dates set out in the loan agreements, all outstanding bank borrowings are within one year. According to the loan agreements, such bank borrowings contained a repayment on demand clause.

27. INTEREST-BEARING BORROWINGS (Continued)

As at 31 December 2018, secured bank borrowings with carrying amount of approximately RMB121,000,000 (2017: RMB82,000,000) were secured by prepaid lease payments, buildings and machinery of the Group. Details are disclosed in note 33.

The range of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2018		2017	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Variable rate borrowings	**5.17%–5.22%**	**73,000**	4.95%	42,000
Fixed rate borrowings	**4.35%–4.80%**	**48,000**	4.99%–5.03%	40,000
		121,000		82,000

The Group has variable-rate borrowings which carry interest at base rate plus 0.675% to 0.87% (2017: base rate plus 0.639% to 0.675%). Interest is reset every month for both years.

During the year, the Group obtained new loans in the amount of approximately RMB127,000,000. The loans bear interest at market rates and the balance will be repayable in 2019. The proceeds were used to finance the working capital of the Group.

As at 31 December 2018 and 2017, the carrying amounts of the Group's borrowings are denominated in RMB.

28. CONTRACT LIABILITIES

	31/12/2018	1/1/2018
	RMB'000	RMB'000
Advance from customers	**1,833**	2,930

Contract liabilities represent advances received from customers for obtaining raw material for sales order.

Revenue recognised during the year ended 31 December 2018 that was included in the contract liabilities as at 1 January 2018 is approximately RMB2,870,000. There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

29. LOAN FROM A SHAREHOLDER

During the year ended 31 December 2017, Junfun, the ultimate beneficial owner of the Company, has advanced USD640,000 (equivalent to approximately RMB4,412,000 as at 31 December 2018 (2017: RMB4,191,000)). The loan is denominated in USD which is not the functional currency of the relevant group entity to the Group, which is unsecured, non-interest bearing and repayable on demand.

30. SHARE CAPITAL

	Number of shares	**Amount** RMB'000
Ordinary share without par value		
Authorised:		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	1,000,000,000	N/A

	Number of shares	**Amount** RMB'000
Issued and fully paid:		
At 1 January 2017	411,947,330	91,106
Issue of shares upon share placing (Note)	82,388,000	57,823
At 31 December 2017, 1 January 2018 and 31 December 2018	494,335,330	148,929

Note: On 17 October 2017, pursuant to a resolution passed by shareholders, the Company issued additional 82,388,000 ordinary shares at an issue price of HKD0.85 (equivalent to RMB0.71) each for a proceeds of approximately RMB58,412,000. Transaction cost directly attributable to the share placing amounted to approximately RMB589,000. The net proceeds of approximately RMB57,823,000 was received by the Company. The proceeds were used for general working capital of the Group to purchase raw materials and cover administrative expenses, and for developing new business opportunities that may be identified by the Company from time to time.

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

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 2018 and 2017.

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:

	2018 **RMB'000**	2017 RMB'000
Within one year	**2,692**	2,438
In the second to fifth year, inclusive	**935**	2,523
	3,627	4,961

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

33. PLEDGE OF ASSETS

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

	2018 **RMB'000**	2017 RMB'000
Prepaid lease payments	**11,235**	11,532
Buildings	**78,557**	66,332
Machinery	**–**	6,846
Pledged bank deposits	**20,000**	1,548
Bills receivables	**–**	600
	109,792	86,858

34. 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 RMB12,200,000 (2017: RMB10,990,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

35. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties:

Compensation of key management personnel

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

	2018	2017
	RMB'000	RMB'000
Short-term benefits	**9,460**	8,056
Post-employment benefits	**84**	92
	9,544	8,148

The emolument 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.

36. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2018, the Group has a total addition of plant, property and equipment amounting to approximately RMB26,176,000 (2017: RMB20,139,000), out of which approximately RMB942,000 (2017: RMB472,000) was settled by the deposit paid in year ended 31 December 2017.

37. 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.

			Non-cash changes		
	1 January 2017 RMB'000	Financing cash flows RMB'000	Finance cost incurred RMB'000	Foreign exchange movement RMB'000	31 December 2017 RMB'000
Interest-bearing borrowings (note 27)	88,000	(6,000)	–	–	82,000
Accrued interest	–	(3,861)	3,861	–	–
Loan from a shareholder (note 29)	–	4,240	–	(49)	4,191
Total	88,000	(5,621)	3,861	(49)	86,191

			Non-cash changes			
	1 January 2018 RMB'000	**Financing cash flows RMB'000**	**Government grants receivable RMB'000**	**Finance cost incurred RMB'000**	**Foreign exchange movement RMB'000**	**31 December 2018 RMB'000**
Interest-bearing borrowings (note 27)	**82,000**	**39,000**	**–**	**–**	**–**	**121,000**
Government grants received	**–**	**250**	**(250)**	**–**	**–**	**–**
Accrued interest	**–**	**(4,538)**	**–**	**4,538**	**–**	**–**
Loan from a shareholder (note 29)	**4,191**	**–**	**–**	**–**	**221**	**4,412**
Total	**86,191**	**34,712**	**(250)**	**4,538**	**221**	**125,412**

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the subsidiaries as at 31 December 2018 and 2017 are as follows:

Name	Place of incorporation/ registration and operations	Class of shares held	Nominal value of issued ordinary/ registered share capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Principal activities
				Indirectly 2018	Indirectly 2017	**2018**	2017	
Grand Concord Holdings Group Limited	BVI	Ordinary	USD1	**100%**	100%	**100%**	100%	Investment holding
Grand Concord Holding (Hong Kong) Limited 廣豪集團(香港)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

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name	Place of incorporation/ registration and operations	Class of shares held	Nominal value of issued ordinary/ registered share capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Principal activities
				Indirectly 2018	Indirectly 2017	**2018**	2017	
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 International Manufacturing Co., Limited	Myanmar	Ordinary	MMK63,700,000	**100%**	100%	**100%**	100%	Manufacturing of garments
Jade Blue Company Limited (notes (c))	Myanmar	Ordinary	USD75,000	**100%**	100%	**100%**	100%	Manufacturing of fabrics

Notes:

(a) The entity is a 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.

(c) The entity was newly incorporated during the ended 31 December 2018.

None of the subsidiaries had issued debt securities at the end of the years 31 December 2018 and 2017 or at any time during both years.

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	**2018** **RMB'000**	2017 RMB'000
Non-current assets			
Property, plant and equipment		**836**	1,042
Unlisted investments in subsidiaries		**28,071**	28,071
		28,907	29,113
Current assets			
Prepayments and other receivables		**116**	106
Amounts due from subsidiaries	(a)	**63,823**	60,613
Cash and bank balances		**54,321**	58,209
		118,260	118,928
Current liabilities			
Accruals and other payables		**1,609**	1,796
Loan from a shareholder (note 29)		**4,412**	4,191
		6,021	5,987
Net current assets		**112,239**	112,941
Total assets less current liabilities		**141,146**	142,054
Capital and reserves			
Share capital (note 30)		**148,929**	148,929
Reserves	(b)	**(7,783)**	(6,875)
Total equity		**141,146**	142,054

39. 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 RMB'000 (Note)	**Accumulated losses** RMB'000	**Total** RMB'000
As at 1 January 2017	27,988	(21,762)	6,226
Loss and total comprehensive expense for the year	–	(13,101)	(13,101)
As at 31 December 2017 and 1 January 2018	27,988	(34,863)	(6,875)
Loss and total comprehensive expense for the year	–	(908)	(908)
As at 31 December 2018	27,988	(35,771)	(7,783)

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